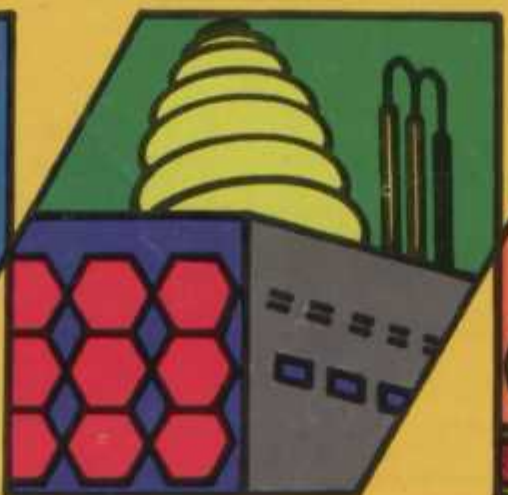
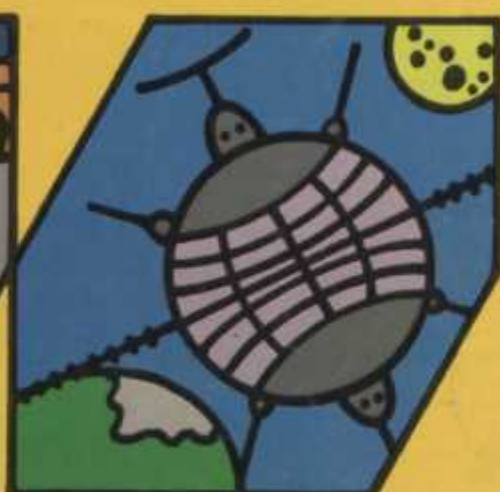


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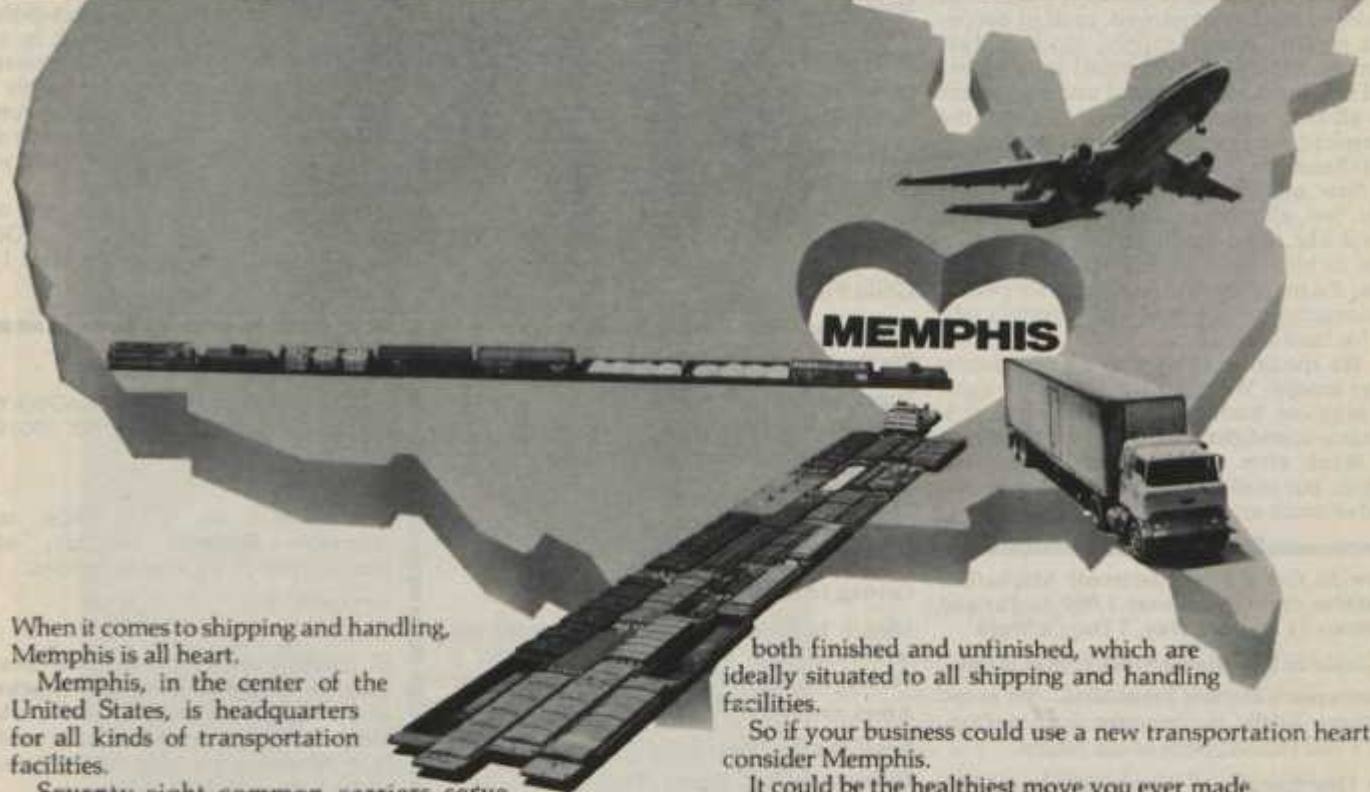
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## How You Can Get Opportunity to Knock

"Most executives who rise to the top did not plan success exactly the way it happened," says the head of one executive search firm.

Instead, adds Robert A. Staub, president of New York-based Staub, Warmbold & Associates International, Inc., "these people took advantage of opportunities when the opportunities were presented."

Opportunities do not just happen. They are made to happen.

"These executives don't make lightning," Mr. Staub explains. "But they put themselves where lightning will probably strike."

How do they do that?

"By putting themselves in the right place at the right time. And the

essence of effective positioning is the way the executive makes himself visible—inside his company and out."

Mr. Staub offers four hints on how to get proper visibility.

- Be successful.
- Be identified with successful people.
- Be identified with a successful company.
- Take part in industrial and professional organizations.

"Many executives," Mr. Staub says, "make the mistake of assuming that visibility is mostly cosmetic and phony. They are wrong. Packaging is important, but content is even more so."

"Image-making is a waste of time,

unless the executive is in fact doing a first-rate job. Get known, but have the performance and abilities to match."

A few executives get to the top through lucky breaks, says recruiter Staub, "but what usually looks like a lucky break is really something else."

"Namely, growing capability, hard work, and getting the reputation that enables one to take advantage of opportunity."

### A Christmas Gift for Employees

The best of all gifts, many executives feel, is a promotion.

But how can management tell if employees are promotable?

"In most cases," says The Dartnell Corp., business publishers, "the one person who could shed most light on the matter has never been consulted: the individual himself."

"He is good enough to keep, the reasoning goes, but not good enough to promote. And so he is allowed to tread water, gradually losing his ambition and optimism, until he finally reaches an age where he no longer has the option to quit."

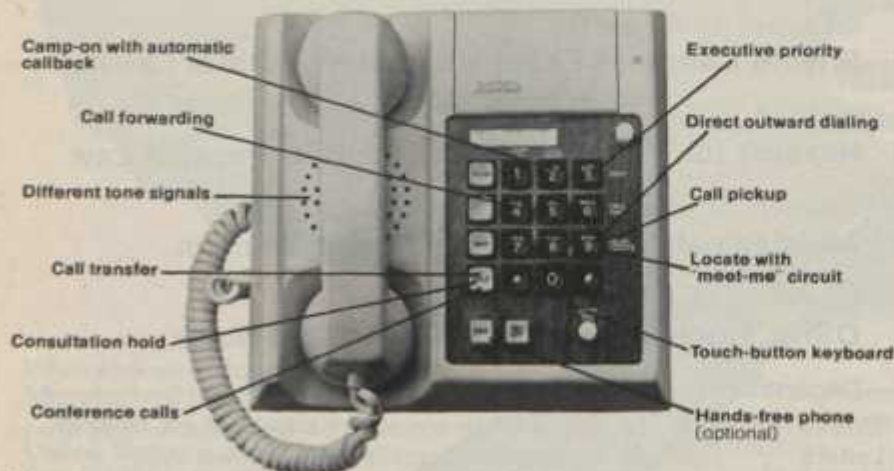
Here is a way to avoid that impasse, Dartnell says in its manual, "How to Review and Evaluate Salesman Performance."

1. Find out from the person exactly what he wishes to be promoted to. This should include the employee's desire for direct vertical promotions, lateral promotions, or transfers to other career areas.

2. Tell the employee what abilities he must demonstrate and what skills he must learn to qualify for the position sought.

3. Show the individual how well he is presently achieving results and what competencies he presently possesses.

"This solves two big management problems," Dartnell points out. "One, deciding who is promotable. Two, whether a decision that some em-



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ployees are not promotable makes sense."

Managers, Dartnell says, may not have the faintest idea of an employee's goals.

The Dartnell remedy?

Put the responsibility on the employee, not the boss.

"Let him or her decide whether the positions desired are worth striving for [and] whether there is enough time, talent, and energy available to do what is necessary."

## Why Some Investors Sell Short

Short selling, says broker Louis Ehrenkrantz, is a device too often ignored by investors.

Traditional American attitudes may have something to do with that.

"Optimism is considered typically American," says Mr. Ehrenkrantz. "An optimistic investor buys stock expecting to make a profit by selling after the stock rises in value.

"By contrast, if you sell short, you expect to make a profit by buying

the stock later, after the price drops.

"Somehow, that attitude seems un-American, like profiting from a disaster. It is an attitude that may be reflected in that old saying: 'Don't sell America short.'"

But short selling has its uses, says this senior partner of Rosenkrantz, Ehrenkrantz, Lyon & Ross, Inc.

One reason for selling short is to defer taxes. Example:

"Suppose an owner of 100 shares of stock purchased at \$10 a share feels that the securities should be sold at what he considers an overvalued present price of \$42.50 a share. But for tax reasons, he does not want to declare that big a gain in the present year.

"That stockholder can sell short, at \$42.50 a share, stock equivalent to the 100 shares he already owns.

"Later, he may close out the short sale by delivering the 100 shares he owns.

"For tax purposes, his profit occurs in the year he delivers the stock to cover his earlier short sale."

Investors with big gains in 1976

may be inclined to move some profits to 1977 in this way.

One caveat:

Pointing out why it is sometimes wise to sell short is not a recommendation to do so at any particular time, Mr. Ehrenkrantz says.

Investment strategies, he adds, should always be checked with your broker or financial adviser.

## How to Praise Your Employees

Praise is not a foolproof way to boost morale and improve performance, says one management expert.

"A recent analysis shows just the opposite," says Dr. Willard I. Zangwill, author of "Success With People" (Dow Jones-Irwin, Inc., Homewood, Ill., \$9.95).

"Sixty-five percent of all praise," he says, "made the recipient feel embarrassed, uneasy, or defensive, or created suspicions of an ulterior motive."

Here, according to Dr. Zangwill's book, are four rules to follow in order to make praise result in repetition of good work:

- Discuss the act, not the person.

Do not say: "You are a good manager, Bill."

Instead, put it this way: "Bill, that procedure you suggested really helped."

- Be specific.

Do not say: "The speech was really good, Bill."

Say: "Everyone understood your points, and your East Asian analogy really went over beautifully."

The latter indicates that you took the time to really listen and care.

- State your personal reaction.

Managers tend to describe how the other person performed, rather than describe their own response. For example: "You did a good job" versus "I really enjoyed it."

The person you praise may not feel that he did do a good job, but he cannot know that you really did not enjoy it.

- Be totally sincere.

If you cannot be sincere, say nothing. Insincerity will generally be detected.

How about criticism?

"It creates dissension and resentment," Dr. Zangwill says, "and should be used only as a last resort."

## "MONEY MATTERS"

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## Praise for a Positive Approach to Detroit

I enjoyed reading the salute to Detroit ["Detroit: Working Together for the Common Good"] in the October issue of NATION'S BUSINESS.

It is encouraging to have a respected national publication take an in-depth look at the positive forces of the city.

HENRY FORD II  
Chairman of the Board  
Ford Motor Co.  
Dearborn, Mich.

Your editors approached Detroit with a positive attitude. The article cannot help but have a favorable effect on Detroit's economic climate.

ANTHONY DELORENZO  
Vice President  
General Motors Corp.  
Detroit, Mich.

The article faithfully reflects that spirit of renaissance which I find so encouraging and stimulating when I talk to Detroit business leaders about the long-range future of the city.

I am particularly pleased that this article will be seen by businessmen across the country who may be unaware of the tremendous effort being made to revitalize Detroit and rebuild its image as a dynamic commercial center.

My compliments to the editors of NATION'S BUSINESS for an excellent presentation.

WILLIAM G. MILLIKEN  
Governor of Michigan  
Lansing, Mich.

Congratulations on a superb article. This is the kind of optimistic approach to the problems faced by our city which I wish more journalists would discover and write about.

I hope it is seen and read by many who have to date only seen the bad print about our town.

THOMAS B. ADAMS  
Chairman of the Board  
Campbell-Ewald Co.  
Detroit, Mich.

### Schools and sex bias

Your editorial on a federal government ruling against sex discrimination in parent-student events in pub-

lic schools is entitled "A Vivid Example of Regulatory Overkill" [September].

An examination of public school expenditures for male athletic pursuits shows, however, that our daughters have indeed suffered from discrimination in such things as banquets, gym time, uniforms, trophies, adulation, and ego development.

Federal regulations are seldom sought by the public until the people become offended by the inability of the establishment to react to the needs of the people.

Business people of both sexes are offended by the secondary status all generations of females have tolerated in education since the inception of the public school system.

SHARRON BELSON  
President  
Belson and Belson, Inc.  
St. Louis, Mo.

### Energy problem solutions

Re your interview with Dr. Werner von Braun ["Energy: A Space Scientist's Solutions," September].

Dr. von Braun states that "there has not been a major accident involving liquefied natural gas. . . . There is a fire hazard involved, but no danger of explosion."

By now, you probably have been reminded of the horrible catastrophe involving LNG that occurred in Cleveland in 1944.

R. A. URBAN  
Byers, Urban, Klug, White, and  
Partners  
Consulting Engineers  
Cleveland, Ohio

[Editor's Note: Mr. Urban refers to the explosion of an LNG storage tank on Oct. 21, 1944, when 135 persons were killed and an area a half-mile square was devastated.]

We were disappointed that more emphasis in the interview was not placed on the ability to obtain energy from animal waste, which can be used to produce gas.

This is another example of the tremendous impact agribusiness has and can have on our nation's economy.

L. W. UMSTADTER  
Kaplan Umstadter Page Associates  
Agribusiness Consultants  
Bartow, Fla.

### National paperwork week?

Your article, "How Businessmen Feel About Federal Paperwork" [October], was very good.

We should designate a paperwork week during which every business forwards to Congress a copy of every required federal form filled out that week. Copies should go to the senators and representative for the state and district in which the business is located.

Within a few days, members of Congress would be unable to get into their offices because of the flood of mail, and they would quickly become aware of the paperwork problem.

JAMES W. MIMS  
Mims and Stephens, Insurance  
Midland, Texas

"Sound Off Response" in the October issue reports heavy business opposition to legislative proposals for indexing the minimum wage. An article in the same issue deals critically with paperwork demands.

However, the "Lessons of Leadership" article ["Succeeding Where Others Flounder"] quotes W. Graham Clayton, Jr., chairman of the Southern Railway System, as saying that, while railroads are grossly overregulated, "we have to be regulated, to an extent."

In "A Third Century Look at the Balance Between Government and Business," Howard J. Morgens, executive committee chairman of The Procter & Gamble Co., states that "some government regulation of the economy is clearly necessary and desirable. . . . The problem today is one of balance. . . ."

I can readily see from reading this issue of NATION'S BUSINESS why



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many people doubt the credibility of business.

Do we want to retain those features of regulation that we favor, such as fixed-rate structures, while eliminating features of regulation that we find distasteful?

In my business, we compete against several companies with rate schedules considerably below ours. At times, I find myself saying: "There ought to be a law." But is not competition the essence of the free enterprise system? How can we honestly champion both free enterprise and government regulation? I find the two contradictory.

ALLEN A. JAMES  
District Manager  
The Western Co. of North America  
Odessa, Texas

## Combating absenteeism

Your article on absenteeism, "No-Shows at Work: High-Priced Headache" [September], certainly points out a problem but misses the basic reason this problem exists.

Industry can solve the absenteeism problem by reeducating people to the concept that pride, courage, and integrity really do pay off. Material to support that point has been available since the time of Aristotle.

Until businesses accept the challenge of enriching people instead of jobs, we will continue to be plagued by absenteeism, low productivity, accidents, and poor morale.

JAMES S. JENNISON  
President  
Riley Bros., Inc.  
Burlington, Iowa

## Zooming employee benefits

Your article, "Employee Benefits: Now a Third of Payroll Costs" [October], contained a factual error.

Social Security taxes for calendar 1976 are levied to a maximum wage of \$15,300, not \$15,600 as stated in the article.

ARMANDO MENDIVE  
Secretary-Treasurer  
International North America  
Enterprises, Inc.  
Miami, Fla.

[Editor's Note: Mr. Mendive is correct. The erroneous figure did not, however, affect the accuracy of the article's report that a 291 percent increase in Social Security taxes in the past ten years makes employer contributions to the retirement plan the fastest growing of all major employee benefits.]



## Improving the Presidential Election Process

**S**CRABBLE, VA., Nov. 1—The dateline is deliberate. I am writing from the peace and quiet of my office in the Blue Ridge Mountains of Virginia, rather than from my desk in Washington; and I am writing on the day before the election rather than on the day after. This is because I wanted to venture a few reflections on presidential elections generally, uncolored by regrets or rejoicing at the outcome of the 1976 contest in particular.

It is time, I submit, for us seriously to consider some major reforms in the process by which a President is chosen. Heaven knows I am no friend to constitutional amendment; I was once accused, not altogether incorrectly, of having opposed every amendment since the first 13. But before 1980 rolls around, two constitutional provisions that govern the election of a President ought to be rewritten. Several statutory innovations should be introduced as well.

The American Constitution, magnificent as it is, never deserved the adulation that Gladstone heaped upon it. He called our Constitution "the most wonderful work ever struck off at a given time by the brain and purpose of man." Jefferson had a better and cooler view. "Some men look at constitutions," Jefferson remarked late in life, "with sanctimonious reverence and deem them like the Ark of the Covenant, too sacred to be touched. They ascribe to men of the preceding age a wisdom more than human and suppose what they did to be beyond amendment."

**T**HE CONSTITUTION's Article II, dealing with the executive power, was a product not only of the wisdom of the time, but of expediency also. The electoral provisions added up to compromise. The device of an Electoral College (the phrase, as such, does not appear in the Constitution) was one of those political devices necessary to win ratification. The plan was defective from the beginning, as the confused election of 1800 made clear. That election produced the clarifications of the 12th Amendment, but further tinkering seemed desirable. We wound up with the 20th Amendment in 1933, the 22nd Amendment in 1961, and the 25th Amendment in 1967. Plainly, there is nothing untouchable here, nothing to be regarded with "sanctimonious reverence." The constitutional process can and should be refined and improved.

Yet it is not necessary, and in my own view would surely be unwise, to junk the entire system and to engage in a kind of constitutional revolution. The temptation to plunge into the direct national election

of a President ought to be resisted. Such a drastic step would involve fundamental change; it would undermine the principle of federalism, one of the two bedrock principles on which the whole structure of government rests. Our purpose should be to improve, not to demolish. Toward that end, three modest steps might usefully be taken. We should change the presidential election process in the matter of the sweep, the maverick, and the House.

**U**NDER the present arrangement, all of a state's electoral vote goes to the candidate with the highest number of votes. By the time this appears in print, we will have been regaled with the Ford-Carter numbers. With a little juggling, it will be shown that a sweep might not have been a sweep after all. Switch a few thousand votes here and a few thousand votes there, and behold! The electoral vote would have been something else entirely. Except in Maine, which put in a district system in 1969, the present system effectively nullifies the losers' votes in every part of every state. Without leaping to direct national elections, this defect can be relieved.

It is objected that in every other election, votes for a losing candidate also are nullified. But a presidential election is not like every other election. It is only in our novel presidential scheme that different constituencies vote on the same individuals. The people of Oregon comprise one constituency; the people of California comprise another; the Constitution declares them to be citizens of the state wherein they reside and thus renders the one constituency ineligible to vote for the senators of the other. But Californians and Oregonians also are citizens of the United States with an identical interest in the choice of a President. Their choice should be better reflected than it is now.

A reasonable answer can be found, within the essential framework of federalism, by adopting the district system. There is nothing complicated about it. Presidents would continue to be chosen by electoral votes, but a state's entire electoral vote would not necessarily be cast for the candidate with the highest number of votes statewide. We would tally by congressional districts instead. Here in Virginia, for example, we have ten congressional districts and 12 electoral votes. Suppose that Candidate A won four districts, and that Candidate B won six districts and also led in the state as a whole. In the Electoral College, Virginia would cast four votes for A and eight votes for B.

The district system, I believe, would infuse our



presidential elections with a new vitality. Minority candidates, who now have no hope of carrying an entire state, would try furiously in particular districts. Major party candidates, instead of surrendering whole states altogether, would make carefully targeted efforts. Those voters who had backed a losing candidate might accept the outcome with less rancor. The district system involves no fundamental change in the constitutional arrangement, but politically and psychologically it would offer a significant improvement.

**A** SECOND useful revision would geld the maverick elector. Under the present Constitution, winning electors are free spirits. They may be morally pledged to a particular candidate, but they cannot legally or constitutionally be compelled to vote for that candidate in the Electoral College. Half a dozen times, over the years, winning electors have refused to stay bound. Such faithless electors are wild cards in the deck. They constitute an impermissible risk to the entire process. That risk should be removed.

Another desirable amendment would eliminate the awful contingency that now hangs over a presidential election. Under the 12th Amendment, if no candidate wins a majority of the electoral vote, the House of Representatives must be called into session "immediately" to choose the President. "But in choosing the President, the votes shall be taken by states, the representation from each state having one vote." This time-bomb provision of the Constitution must be defused. If no candidate emerged from a November election with a majority of the electoral vote, the newly chosen Congress could be empowered to choose a President in December. Such an amendment might never be invoked, but it would provide useful insurance.

**I**T MAY BE possible to improve the present system by federal statute, rather than by the tedious process of constitutional amendment. I say "possible," because the Constitution, as I read it, now vests no power in Congress to legislate in this field. The Constitution says our Presidents shall be elected by electors, and it says in language that any child could understand, "Each state shall appoint, in such manner as the legislature thereof may direct, a number of electors equal to the whole number of senators and representatives to which the state may be entitled in the Congress." The provision seems clear and unambiguous.

But the years have taught me that constitutional provisions that say one thing to me say something else entirely to the Supreme Court. The Congress may have powers previously unperceived. If so, some thought might be given to legislation affecting (1) presidential primaries and (2) the qualification of independent and third-party candidates in general elections.

It is hard to find one good thing to say of the present system of presidential primaries. We had 31 of them, I believe, in 1976, commencing with New

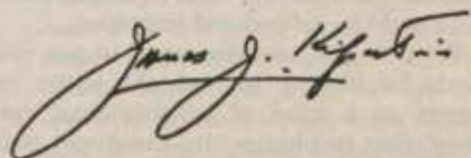
Hampshire in February and winding up with California, Ohio, New Jersey, and Arkansas in June. Any similarity among them was wholly coincidental. Some states permit crossover voting; some do not. Some states qualify primary candidates by whim, some by petition. The system is chaotic; it is fearfully expensive; it is physically exhausting; it is far too prolonged; and it does not even fulfill its ostensible purpose of affording party members a fair chance to choose their own party nominees.

Assuming some congressional power to legislate, I would urge a uniform system of regional primaries, to be held at two-week intervals in May and June of presidential years. No state would have to conduct a primary, but if it chose to go the primary route it would have to abide by the same rules and the same ballot listings observed by other states within its region. This orderly arrangement would not eliminate the national party conventions, but it would make for fairer choices with fewer shenanigans.

Assuming, again, that Congress can impose a national will upon presidential regulations within each state, some statutory steps should be taken to make it easier for independents and third-party candidates to qualify for a ballot listing. The present system is a manifestation of federalism carried to absurdity. The object should be to find some middle ground that would deter the merely frivolous candidates without imposing extreme handicaps upon minor candidates with significant support. A uniform federal law might assure a place on the ballot to any candidate who filed petitions equal to one percent of a state's vote in the last preceding presidential election, the petitions to be filed 60 days in advance of the general election day.

A number of other changes might be suggested. The federal campaign financing "reform" act that became effective in January, 1975, needs wholesale revision. That misguided piece of legislation was drafted by the two parties, for the two parties; it is a nest-feathering, self-protective, utterly indefensible act. Its purpose is to guarantee a permanent place at the public trough for Democrats and Republicans only, and the devil take the impudent Gene McCarthys who come along. The law should be scrapped, and a fresh start attempted.

**W**ILL CONGRESS move toward any such constitutional and statutory changes? Probably not. None of the proposals I have mentioned is in any way novel. Most of them have been talked about for generations. But if changes are to be made, now is the time to get at them, when interest is high and public support might be rallied. In another six months, no one will give a particular hoot.





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# Should Congress Enact a Land-Use Control Law?

**T**HE 95th Congress that convenes next month will see a resumption of efforts to win passage of legislation on land-use controls.

Land-use controls were a highly controversial issue in the previous Congress. Bills on the subject were turned down by narrow votes, once in the full House of Representatives and once in a House committee.

While there are some variations, land-use bills introduced in Congress generally have provided for federal grants to help states develop and carry out comprehensive programs.

Such programs would include classifying land as industrial, commercial, agricultural, residential, open-space, and so forth; assessing the potential economic, environmental, and social impact of employing these classifications to determine what is

done with land; regulating land uses that could have impact on whole regions or that involve critical environmental or other statewide concerns; and developing energy policies to encourage conservation through efficient land use.

Advocates of the measures argue that, without federal encouragement, states would have neither the money nor the interest to make long-range plans for land use.

The proponents emphasize that the federal government would have no role in determining the classification of land areas within a state and that no state would be required to participate in a program against its will.

Opponents of the legislation, however, view land-use proposals as an initial step toward giving the federal government power to determine what

happens to private property. The opponents say the proposals could ultimately lead to a situation in which Washington had zoning powers reaching into every state and locality.

Supporters of land-use legislation maintain that the various property classifications would make it easier to put open land to the best use in many regions.

But critics see classification as a weapon for what amounts to taking private property without just compensation. They say an owner who has lost the right to sell or otherwise put land to whatever use he feels is appropriate, within the local zoning laws, has in effect been deprived of the benefits of that property.

Should Congress enact a federal land-use control law? What do you think?

PLEASE CLIP THIS FORM FOR YOUR REPLY

Kenneth W. Medley, Editor  
Nation's Business  
1615 H Street N. W.  
Washington, D. C. 20062

Should Congress enact a land-use control law?

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represent 2.9 million life-insurance buyers.



## How Not to Combat Unemployment

**C**REATING government jobs for the unemployed would do more harm than good, in the view of the overwhelming majority of NATION's BUSINESS readers responding to the October "Sound Off to the Editor" question.

Readers were asked: "Should the government guarantee a job to everyone?" They vote no by a margin of more than 15 to one.

A sharp increase in unemployment during the recession has produced many congressional proposals to make the federal government the employer of last resort.

Advocates say costs of such government job programs are not un-

every aid in finding work in the private sector, even if it is in a lesser position than one held in prior employment," says J. S. Horton, personnel manager at the Cavel division of Collins & Aikman Corp., Roxboro, N. C. "Once individuals go on the government payroll, they tend to stay there."

The overall cost of expanding government payrolls to accommodate the unemployed is also a major consideration in the thinking of those voting against the guaranteed-job concept. For example, Carl E. Jones, president of Penn United Technology, Inc., Saxonburg, Pa., holds that "the private sector cannot afford to continue to pay higher taxes for such a program."

Arthur S. Rosenbaum, vice president of Cash Register Systems, Inc., Norwalk, Conn., is one of the relative handful of readers approving government-guaranteed employment. It would, he says, "fully utilize the potential of our labor force and, in the long run, solve many problems."

And James P. Walsh, president of JB International Marketing Corp., Atlanta, makes his case for government-guaranteed employment this way: "It is vital to the health of this nation that all people willing and able to work have a job. A just, interested private sector could find a way to employ them. If the private sector does not do so, the government has to step in and do it."

But Thomas E. Day, engineering manager for The Nippert Co., Delaware, Ohio, believes that advocates of government as the employer of last resort fail to understand the economics involved. The ultimate guarantors of jobs, he says, are the consumers whose buying decisions determine whether the providers of goods and services remain employed. On the other hand, Mr. Day notes, government-guaranteed jobs become permanent because they are not vulnerable to the workings of the marketplace.

Among other comments:

M. E. Cosby, product manager for Illinois Minerals Co., Cairo, Ill.: "The existing inefficiency of government should clearly attest to its inability to perform such long-term private enterprise functions as achieving full employment, if full employment were even possible or desirable."

Reed N. Lincoln, purchasing director at W. F. Young, Inc., Manufacturing Chemists, Springfield, Mass.: Under a guaranteed-job plan, "there would be less incentive for the unemployed to seek work in private indus-



Government must make sure citizens have "adequate and honorable ways of subsistence," says Enea Evangelista, manager of industry information, United Fruit Co., Boston. He favors guaranteed jobs.



Dan S. Ray, executive vice president of Caskie Paper Co., Charlotte, N. C., says there is already a job available for everyone who wants one, and there is no need for "artificial" government jobs.

reasonable compared with the costs that high unemployment imposes on government and business in the form of unemployment compensation, welfare, food stamps, and increased crime.

Opponents of such legislation counter, however, that the most effective way for the government to combat joblessness is to adopt tax and other policies that expand job opportunities in the private sector. That view is widely shared by readers who joined in the "Sound Off" response.

Edward A. Armstrong, president of Armstrong Engineers and Associates, Inc., Grand Junction, Colo., writes: "I feel the employment situation would be better served through a more favorable climate for private enterprise."

"The unemployed should be given

try, because there would always be a government job to fall back on. That attitude among job-seekers would increase the tax burden on people who are overtaxed already."

W. M. Clough, president of Grand Central Industrial Centre, Glendale, Calif.: "If government would spend less money and cut taxes, job opportunities in the private sector would increase."

R. A. Smith, president of RAS Sanitation, Inc., El Paso, Texas: "If government guaranteed jobs, it would only create more apathy among workers in private industry."

Blain S. Gailey, vice president of JB Tile Co., Salt Lake City: "Our experience shows there are more jobs available now than people who will work to fill them. If welfare money was less easily available to the able-bodied unemployed, unemployment statistics would change. Rare is the federal program that encourages self-sufficiency." □



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Nation's Business, December, 1976

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# Using Technology to Advance Human Progress

BY DR. SIMON RAMO

We are a long way from realizing the potential of science and technology to fight inflation, create jobs, and yield other major benefits. Here are a thoughtful businessman's views on how to achieve those benefits

**T**HE U. S. A. is usually considered strong in both technology and private enterprise. We are now becoming weaker in both. Technological advance and private enterprise have in the past been supportive, co-stimulating. It may be no coincidence that they are presently trending down together.

Although we have more capability in science and technology today than ever before, we are using it less, in comparison with the total possibilities.

If fully employed, science and technology could improve the value of our natural and human resources

and lead to additional economically and socially advantageous products whose production would create more jobs. Further research could lead us to lower costs as a counter to inflation, substitutes for materials in short supply, and ways of acquiring what we need with less harm to the environment. But we have become more timid and less innovative in applying science and technology toward such ends.

#### Key to our living standard

Lethargy regarding research and development is especially penalizing to the U. S. society, based so strongly

as that society is on a generous availability of the fruits of advancing technology. Our standard of living is rooted in decades of such advance. While some may prefer a life less dependent on high production, political experts say it is naive to contemplate the average citizen's accepting a substantially reduced supply of products. It is equally naive to expect those whose living is substandard to give up aspirations for a better life. Thus, using the tools of science and technology vigorously is an indispensable part of any feasible approach to national problems.

Of course, in speaking of employing technology, we do not mean the *misuse* of it on projects that bring us more harm than good. A high rate of technological advance is not automatically synonymous with happiness. Also, we know that even if all implemented technological programs were selected wisely, this would not guarantee a healthy economy; if non-technological decisions are handled badly by the government and the public, inflation, recession, unemployment, high pollution, urban problems, and other ills can all occur at once.

However, strength in science and technology is necessary. And for more than domestic tranquility.

#### Vital to our world status

The nation's international economic competitiveness and our contribution to world stability depend on our science and technology. If world social health is fostered by each nation doing for the world what it can do best and trading with other nations for their most suppleable items, then continuing U. S. advances in science and technology are fundamental to our holding our own.

Why are we not doing the best we can to reap the potential rewards of scientific research and technological effort? One reason is the antitechnology wave.

Many citizens associate technology with the devil. In our becoming a technological society, as they per-





*"Although we have more capability in science and technology today than ever before, we are using it less, in comparison with the total possibilities."*

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ceive it, we have lost much and gained little. We have been forced to crowd into the cities before we have learned to live together. TV offers vapid, violence-loaded programs that miseducate our children. The automobile kills 50,000 people a year and fouls the air. We can go to the moon, but it is hard to get to work through the traffic. The atom bomb may destroy civilization. There are those who fear that the nuclear reactor may poison our environment. We make our soil more productive, but insecticides may do us in.

Some will argue that those who believe these things fail to distinguish

between the tools of man and man's misuse of those tools, and that we need only to educate people as to the difference. Unfortunately, there indeed have been misapplications of technology. Our national mechanism for matching potential to needs and balancing gains and losses when instigating technological change is not yet adequately developed. After all, we find it hard to articulate what kind of a society we want. Thus, it is no surprise that we find it difficult to pinpoint the application of science and technology that will most effectively help us build our society. However, a broad antitechnology bias is

a handicap. It stands in the way of our arriving at sound evaluations of technological advances.

#### **Government-private roles**

A more serious limitation to our wise employment of science and technology is confusion as to the right role for private enterprise vis-à-vis government control. Many are convinced that business is socially irresponsible. Whenever any problem surfaces, they are certain private enterprise can be counted on only to exploit it, to seek unconscionable profits. They thus look to government alone to provide solutions, and they vote for those politicians who blame business most. Technological advance is often identified with big business, and such advance is equated either with injected-but-unneeded product changes or with withheld-but-needed product improvements, either one resulting in higher prices.

Many voters are equally fed up with government spending and big government generally. They see the government as an increasingly incompetent and inefficient bureaucracy, a pawn of numerous self-interest constituencies. As a capping indication of the confusion, much of the populace distrusts both the private enterprise sector and the government, taking a totally negative stance.

#### **Making the most of science**

We see in the U. S. today a severe mismatch between the high potential of technological advance and the slow pace of the country's social-political progress. We are simply not organized to use science and technology to the fullest. The problem does not lie in any lack of availability or promise of science and technology per se. It is the interface of technological with nontechnological factors that is controlling. Where our employment of the tools of science and technology is concerned, we can be likened to a bunch of carpenters, sawing and hammering away, often getting fingers in the saws and hitting



*"Many citizens associate technology with the devil. In our becoming a technological society, as they perceive it, we have lost much and gained little."*

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our own thumbs and each other's heads as we swing our hammers, not sure what we are trying to build, sensing an unsatisfactory situation, and loudly blaming the saws and hammers.

We have two mechanisms for getting things done in the U. S.—private enterprise and government. The private enterprise system—capital at risk seeking a return—has served well for centuries to connect many of our needs and desires with the capabilities of science and technology. This wedding has blessed us with an immense stream of products and services. Why is this free market, private enterprise mechanism not the complete answer to the challenge of putting science and technology to work?

#### **Earnings are inadequate**

One reason is that most technological businesses, large and small, are not earning enough now to provide adequate funds for investments in scientific research and new technology. After the small difference between selling price and costs is used for taxes, interest on borrowed money, dividends to the shareholder, and the inflated costs of replacing and expanding facilities, too little is left to improve methods and develop new products.

Another reason is that many potentially beneficial technological projects now involve too great a business risk. The risk-to-return ratio is too high. The clearly foreseeable start-up costs are too large, the time to turn around to profit too long, and the dependence of success on political decisions forbiddingly severe. The market is far from a free one determined by the ultimate consumers. Instead, it is a chaotic cacophony of semi-autonomous, conflicting private and government actions.

The government must be in the act. It must regulate against impairment of the public welfare that might

arise from some technological applications. Moreover, to advance some aspects of science and technology, the government must be relied upon for a dominant contribution. This is obvious for military weapons systems or sending a man to the moon. It is also true for other increasingly important segments of technology. These are characterized by the combination of huge funding requirements, high risk, extraordinarily high start-up costs, and either no consumer end product or a dependence of the market on government actions that rest on unpredictable political trends.

Scientific and technological advance most often now involves the government as the doer, sponsor, regulator, or partner. The necessity, and yet the complexity, of combined government and private involvement in science and technology means that the pace of the advance depends on organization and cooperation. We are weak in both functions.

#### **The food problem**

As an example of the need for co-operation between government and the private sector, consider the world problem of food and nutrition, which will probably move to the top as a critical issue soon. With few exceptions, the nations of the world, developed or underdeveloped, face difficulty in producing a sufficiency of food. The United States is close to unique in possessing a combination of natural and technological resources that should yield a permanent large food surplus. If we organize our research and technology in relationship to the market requirements properly, and, of course, have the right political-social-economic policies, we can improve the economic health and stability of the world (and enjoy a favorable balance of payments).

Our soil, weather, topography, and size of terrain are outstanding, our

capacity for high mechanization is great, and our technological know-how on growing, processing, storing, and distributing food is ahead of the rest of the world's.

Yet we have hardly scratched the surface. Basic research questions on nutrition and plant and animal growth are unanswered. Neither the government's nor the private sector's roles in a maximum food production effort have yet been fully developed and defined. Water, energy, environment, and safety (insecticides and preservatives) are important factors and involve the government. Pricing and policies for sale of food products to other countries certainly do. The private sector can be motivated by government policies to much higher levels of investment, innovation, and accomplishment, or it can be motivated to lower ones.

#### **Our transportation needs**

Another example where science and technology advances are not being matched well to national needs is in the area of transportation, whether railroads, or airlines, or mass public transport in cities. We are not getting the transportation that we should be capable of technologically. Too many operations are just barely avoiding bankruptcy, have achieved it, or cannot obtain financing for needed improvements. Or too much of the traveler's time is dissipated, or the system uses up too much energy or pollutes too severely—all this beyond what the situation would be if we could create a superior match of technology to requirements.

Surely, most large cities could benefit by improved public transportation, although the approach has to be carefully selected and suited to each city's economy and social conditions. The city resident now may spend 40 hours a week at work and ten hours plowing through absurd traffic congestion to go to and from work—while polluting the air, wearing out his nervous system, and expending too much fuel. Improved public transportation, which technology certainly can provide to us, would conserve time and fuel and cut costs, yielding economic and social payoffs on the investment and making us all more productive.

But the city and federal governments create the market, and it is forming so slowly and confusedly



that the risk-to-return ratio for a corporation going after this field is absurdly high. The start-up cost is huge, the time until payoff too long, and the government's policy on return on the private investment too unpredictable.

### **Depolluting the waterways**

Consider next an environmental example. Done with creativity and common sense, the selective depolluting of the nation's waterways stands to yield a high return through the preserving of human and natural resources. The technical and social and economic trade-off questions are difficult. The organization problem is even more so.

Suppose a combine of several large corporations could be created to clean up Lake Erie. How could they presume to design and then install a system to depollute the lake, since their project would affect millions of citizens? They could not, except through government auspices. The private combine might offer proposals to install a superior sewage disposal system for one city or a better waste processor for a manufacturing concern operating on the lake. But why should that city or that manufacturer pay to reduce pollution unless all other polluters also do so in an agreed-upon, balanced program? Government initiative, sponsorship, and regulation are essential to making a market.

We are today approaching the various problems of environmental control through a highly fragmented system of sponsorship, planning, and control. We have not arranged the degree of practical cooperation required between the private sector, where most of the technology is to be found, and the government agencies, local through national, whose decisions dominate the application of that technology.

### **Electronic brainpower**

A striking example of the relationship between technological advance and national needs is to be found in electronic information technology. Electronic systems are now possible that can sense, absorb, store, categorize, ponder, move, and present information in vastly higher quantities, yet with greater speed, reliability, and accuracy and less cost than has ever been conceivable.

This electronic synthetic brainpower can make each human being smarter at his job. A man-technology partnership in information handling can reverse the nation's lagging productivity growth—in business, the professions, and all levels of the government.

Many private corporations already are applying the new systems. In many banks, tellers now are using electronic information systems to enable the servicing of customers more accurately, rapidly, and economically. A credit purchase at a department store, a reservation at an airline counter, a securities price inquiry by a broker—these and numerous other applications of advanced information technology are becoming familiar. But this is all only a prelude.

Total implementation of electronic information systems would radically change the way in which we communicate with each other, reduce our present dependence on the transmittal of billions of pieces of paper each day, substitute electronic fund transfers for most checks and cash transactions, alter the working of the post office, lead to more efficient purchasing, scheduling, and manufacturing, and even improve the way medical care is dispensed and schools educate our children.

The all-out use of advanced electronic information would involve an interconnected electronics network far more complex and costly than the telephone or TV systems of the nation. It would require hundreds of billions of dollars of investment and active participation by the government. In electronic information handling, the speed of application of beneficial technology is not set by the technology itself or even by return-on-investment economics, but rather by the complexity of the arrangement-making problem.

Coal technology is an excellent

example of the problem occurring when the size and risk of a technological project become too great. We know that, at a price, we can obtain gas and liquid fuel from coal. We know that we can mine coal more safely, using new concepts in mining machinery, and that we can desulfurize it and burn it more cleanly.

### **Coal and cooperation**

However, the complete development needed for a much greater use of coal by the U. S. involves not only technological advance, but the cooperation of a host of private and public organizations not readily directed. They include landowners, mine operators, labor unions, railroads, pipeline companies, power generating and water supply utilities, numerous specialized engineering and manufacturing organizations, and many federal and state government agencies that deal with pricing, environment, labor, and transport.

If a private enterprise group decided to make a major coal technology advance (enough to bring coal up to petroleum as a source of energy in ten years), it would require billions of dollars of investment. Many years would pass before a return could be realized. Indeed, that return might never come, so great are the unpredictable risks associated with unpredictable government decisions.

### **Doubled oil reserves?**

As to petroleum, by further technological development we can hope to obtain more oil, including that under the ocean, without ruining the environment. Only one third of the oil actually available underground in the United States is being recovered from free-flowing wells. A large fraction of the remaining oil can be brought to the surface by employing newly developed submersible pumps. Fully applied, such new technology might double U. S. oil reserves. But

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*"Most technological businesses, large and small, are not earning enough now to provide adequate funds for investments in scientific research and new technology."*



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*"A man-technology partnership in information handling can reverse the nation's lagging productivity growth—in business, the professions, and all levels of the government."*

the present level of controlled pricing on old oil precludes such a doubling. Government policy, not the limits of technology, sets the pace.

Now what does all this add up to? This possibility for science and technology to benefit the society more and, at the same time, this difficulty in obtaining these benefits. This inability of private enterprise to encompass more than a fraction of the sponsorship, and the realistic fact of heavy government interaction. What views and policies should we promote as steps to improve the situation?

### Some recommendations

Let us offer some recommendations separately to the three concerned entities: the private enterprise sector, the government, and the public.

Those interested in preserving the private enterprise system, and who see this system's operations as a valuable route toward use of advanced technology, should realize that ours is a hybrid society. It is not helpful, and often is harmful, to press hard for private enterprise to be accepted as the all-encompassing answer to all problems. Private enterprise can provide for only a part of our needs. A creative, cooperative relationship between the private sector and government should be sought for the rest.

We should continue to encourage use of private enterprise wherever it is the best way to realize the benefits of science and technology. Usually this means when the return-to-risk ratio is acceptable, market forces dominate, total investment and time to break even are not unreasonable, and government participation is far from controlling.

Government leaders should recognize the government's permanence as a factor in science and technology matters. They should seek a long-range policy for that involvement, answering such questions as: Which

areas must the government sponsor, and which are best left to private enterprise? How can government duties, such as the setting of rules for private enterprise, be handled so as to encourage and not impair worthwhile technological advances?

The government should recognize the broad impact of science and technology on virtually all important government decision-making and should count a healthy scientific and technological effort as vital. The government should itself be innovative in creating a national environment for innovation. It should act to encourage investment in research and development. Government expenditures in technology should be biased toward the generation of information that lowers the technological risk, thus enhancing private risk-taking.

### Avoiding extremes

As for the public, it should avoid either extreme view: (1) that the private enterprise system alone can do everything best, so the government should stay out and leave it all to the private sector; or (2) that private enterprise is bad, so the government must do everything. The public should recognize that private enterprise can contribute technological advances to meet the public's goals only if industry generates the necessary funds from its operations. Profits should be applauded if they are re-invested well for beneficial research and development.

Finally, the public should get over its antitechnology bias. It should perceive that science and technology are the public's own tools and should get on with seeing to it that these tools are used wisely to achieve goals the citizens choose. □

DR. RAMO, famed as a scientist as well as an industrialist, is vice chairman of the board and chairman of the executive committee of TRW Inc. He was one of the company's founders.





Sen. Charles H. Percy (R.-Ill.) is one of the authors of S. 2812, a bill which calls for a thorough reform of government regulation.

# A Prescription for Curing Our Regulatory Ills

BY SEN. CHARLES H. PERCY

Government regulation needs to be studied to determine when and where it makes sense, this senator says. He is pressing for comprehensive reform

**P**ERHAPS as much as family, religion, and job, government regulation has become a dominant influence in determining how we live. Decisions made by federal regulators have an impact on virtually every aspect of our daily lives.

They affect the homes we live in, the cars we drive, the clothes we wear, the food we eat, and the air we breathe.

While regulation is hardly the stuff dreams are made of, even the mattress and pillow we sleep on are subject to government decree.

Some regulatory agencies are highly effective. But many others are living, breathing anachronisms—unwieldy dinosaurs which, through congressional laxity and enlivened self-defense, have avoided extinction. Altogether, they cover an astonishing array of activities which range from the necessary to the reasonable to the ridiculous.

What public good is served by Federal Communications Commission regulations which require a small TV

station in Oregon to file a staggering 45 pounds of forms as part of its license renewal application?

## The absurd yak fat case

At times, even the subtle line between the ridiculous and the utterly absurd is overstepped. Consider the yak fat case. A trucker named Leroy Hilt, whose rates were fairly consistently rejected by the Interstate Commerce Commission as too low, decided to strike back with a vengeance. He prepared a tariff schedule for a wholly nonexistent commodity—yak fat—which he proposed to ship for 45 cents per 100 pounds.

Incredibly, a Yak Fat Arguing Committee, conceived by railroads, quickly materialized and was recognized by ICC. The committee told ICC that Mr. Hilt's tariff was clearly "noncompensatory." ICC needed no further persuasion. It suspended Mr. Hilt's rate, offering him a chance to come to Washington to argue his case.

When Mr. Hilt declined, ICC ar-



gued that he had "failed to sustain" his rate and rejected his application. Satisfied with having saved the republic, the Yak Fat Arguing Committee disbanded.

Unfortunately, not all of the effects of government regulation are as harmless. The economic costs of regulation are tremendous. Figures vary, but the General Accounting Office estimates \$60 billion a year, which seems, if anything, conservative. The Ford administration has set the cost at more than twice that, or \$2,000 per family per year.

### Fueling inflation

Apart from sheer waste, federal regulation has fueled inflation in a number of ways. Some agencies almost automatically grant requests for rate increases by the regulated industries. Such government-mandated increases are synonymous with rising prices.

Another cost factor involves the reams of red tape and agency forms to be completed, often in voluminous detail, in duplicate, triplicate, and absurdicate.

Businessmen are drowning in a sea of paper. It rains down from Washington with no sign of relief after any period so brief as 40 days and nights. Noah himself would have been hard put to survive the deluge. Yet the agencies keep churning out report forms, seemingly without caring that small businessmen alone spend more than 130 million man-hours a year completing them. And when was the last time you heard of one of these reports being eliminated?

Ironically, one of the most costly components of regulation involves the waiting time for a rule to be issued. Although affected parties are usually interested in a particular outcome, often their primary concern is obtaining a timely decision. Any decision. Time is needed to plan. Time can mean money. And uncertainty is a very expensive commodity that few can afford.

### Fewer choices for business

Certain agencies, with Magoo-like vision, go their merry way oblivious of what is going on around them. They have a knack of taking agonizingly long just to stumble into an altogether wrong decision for altogether the wrong reasons.

Increasingly, corporate decisions

are being taken out of the boardrooms and off the factory floors. Instead, they are being made in Washington by persons who often do not have the slightest idea how a business is run. The government is now in the business of telling some businessmen not only what wages to pay and prices to charge, but also what



**"Businessmen are drowning in a sea of paper. It rains down from Washington with no sign of relief. . . . Noah himself would have been hard put to survive the deluge."**

kind of plumbing to install and even what size lettering to use on exit signs.

Businessmen are in a position where they need no longer ask what they can do for their country, but rather what their country will allow them to do for themselves.

This is not to say that all government regulation is unnecessary. We would be courting disaster, for example, if we authorized the building of nuclear plants without stringent safe-

ty requirements. And I am proud that American planes, boats, cars, and the food and drugs produced in this country are the safest in the world. Government regulation has played an important part in making them so. But there have been many excesses.

This, then, is the dilemma of government regulation. We need some of it, but not all of it. We need more in some areas, less in others, and we need to redirect it in many more. We need to study when and where it makes sense and how best to accomplish its necessary role.

In each case, it is essential that the specific circumstances be closely reviewed to see if regulation is truly warranted. Only after it is determined that regulation is needed should we begin to address the relevant questions of appropriate agency functions, structure, and performance. And, lest we be doomed to repeat past errors, even after reassessing the nature and scope of regulation, there must be periodic updates and reviews to make sure that regulation adapts to changing circumstance.

Federal regulation has grown continuously, though erratically—usually as a result of ad hoc responses to particular problems. There have been a few spurts, most noticeably during the past decade, when increased regulation accompanied a huge expansion of government. But little or no thought has been given to how each regulatory effort fits into a rational economic system, let alone to the total impact. Not surprisingly, the resulting superstructure (it is too irrational to be called a system) is a kind of "Hee Haw" on the Potomac, where the last laugh is on all of us.

### Fitting the pieces together

There has been mounting recognition of just how unfunny the problem is for consumers, labor, and business alike. In fact, there currently are more than a score of proposals before Congress that aim to improve the structure—to inject some element of sense into a process which is so sorely lacking in that respect.

Some of these proposals are better than others. Several contain useful ideas. But all of the substantive ones suffer from at least two common flaws. To understand these flaws, it is necessary that we consider certain questions as to what regulation is all



about. Any reasoned effort to rationalize regulation must address the questions of appropriate function, structure, and performance. Yet, most of the proposals before Congress deal only with specific agency

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**"The economic costs of regulation are enormous. . . . The General Accounting Office estimates \$60 billion a year, which seems . . . conservative."**

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performance and do not touch on matters of function and structure.

Also, most of the proposals are tied exclusively to one approach which is presumed to apply to all regulatory problems.

#### **Eliminate some agencies?**

Upon examination, it may be advisable to eliminate certain agencies, to adopt administrative and organizational changes in others, and to step up antitrust enforcement in some areas. Such conclusions would depend upon the specific circumstances involved and should not be presupposed. Just as no one medicine can cure all ills, it is unrealistic to think that any one regulatory solution will be best in all cases. It might turn out to be altogether inappropriate in certain areas.

It is therefore imperative that reform be comprehensive, timely, systematic, and, above all, successful.

There are formidable obstacles. Among them is the tenacious opposition of certain interest groups tied to the affected agencies. Often, these groups join vigorously in the call for reform and carry the banner high. They may be found in the very front ranks of the crusade. But when the rhetoric comes home to roost, when specific proposals are being fought over, one is left in doubt as to who or what is the real foe.

Typically, whenever specific reforms are contemplated, these interest groups rally to the defense of the agency that is threatened. This de-

fense tends to consist of a common litany of rallying cries which are beguiling, but also often are vague, incomplete, or misleading.

Worse, such arguments are not confined to outside interests. Not infrequently, the agencies themselves, and affected committees of Congress, will close ranks to raise a hue and cry of their own—sometimes more shrill than that of the affected interest groups.

Indeed, Congress itself has been woefully deficient in pursuing reform. For this reason, a disciplined approach as well as a comprehensive one becomes necessary.

#### **Budget reform's success**

Congress can discipline itself. That has been proved by the success of the Congressional Budget Act of 1974, which Sen. Sam Ervin (D-N. C.) and I wrote, and which followed a two-year campaign for such legislation by the Chamber of Commerce of the United States.

Now, Congress has to agree upon specific spending priorities, an overall spending ceiling, and how large a deficit it is willing to incur. [See "Big Test Ahead for New Government Spending Controls," *NATION'S BUSINESS*, March, 1976.]

The new budget process has had impressive early successes. Already, we have turned down a military appropriations conference report because it exceeded the established ceiling. We also cut a half-billion dollars from an inflated school lunch program. The success of this budget discipline has convinced me that such rigid deadlines and strong action-forcing procedures will also work for regulatory reform, where Congress has likewise failed to set its own house in order.

Accordingly, Assistant Majority Leader Robert Byrd (D-W. Va.) and I set out to avoid the common pitfalls of other regulatory proposals and to overcome the inherent obstacles to reform. We sought a disciplined plan aimed at achieving timely and comprehensive reform. That plan is embodied in S. 2812, the Regulatory Reform Act of 1976, which was not acted on in the 94th Congress but which we will reintroduce next year.

Recognizing that talk of reforming regulation has become chic, what we are saying in this bill is: Damn the rhetoric, full speed ahead.

This legislation sets forth a discipline for action, to apply both to Congress and the President. From 1977 through 1981, the President would submit to Congress, by March 31 of each year, comprehensive plans for overhauling regulation in each of five specific areas of the economy, namely:

- Banking and finance.
- Energy and environment.
- Commerce, transportation, and communications.
- Food, health and safety, and industry trade practices.
- Housing, small business, labor-management relations, government procurement, and equal employment opportunity.

Each presidential plan would include recommendations for increasing reliance on market forces and for major procedural, structural, and functional reforms—including the merger, modification, establishment, or abolition of agency functions, structures, and specific regulations.

#### **Deadlines for action**

The presidential plans would be referred to the appropriate oversight committees and to the Government Operations committees of the Senate and the House. By Sept. 15, these committees would be under mandate to report either a comprehensive reform bill or the President's original proposals, which would become the

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**"It is . . . imperative that reform be comprehensive, timely, systematic, and, above all, successful."**

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pending business in both houses. If no presidential plan is submitted, the committees would write and report their own plans for consideration by that date.

Should Congress fail to approve comprehensive reform legislation in the designated area by Dec. 31, the President's plan would automatically go into effect the following March unless specifically disapproved by either house. If there is a resolution of



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## "Active participation of the business community is essential to... reform."

disapproval, Congress has until the end of June of the following year to enact a comprehensive reform plan in that area. If it does not, all regulatory benefits conferred by the agencies would be rescinded and be of no further force or effect.

### The sooner the better

This timetable will in no way delay any reform efforts already under way, or which may arise in the interim, until the designated year for that particular area of concern. Thus, it does not mean that transportation reform must wait until 1979 or health and safety reform until 1980. Rather, it ensures that, if no comprehensive reform has been accomplished by these dates, the action-forcing discipline of the bill will come into play. If Congress wants to act sooner, all the better.

The provisions of S. 2812 were carefully constructed to avoid the common shortcomings of the other approaches. The five-year approach will make handling the problem more manageable and ensure that the full range of federal regulation will be dealt with in timely fashion—by 1981 at the latest.

Comprehensive in scope, S. 2812 goes beyond specific regulatory performance to the underlying questions of function and structure. At the same time, it does not tie itself prematurely to any one solution. Rather, it establishes a procedure through which the best solution for each problem can be identified and adopted.

### No sacred cows

At the very least, the measure will make it possible for all of the other substantive and procedural reforms to get a full airing in discussion and debate on the House and Senate floors.

The active participation of the business community is essential to successful regulatory reform. As a

starter, we must accept the fact that comprehensive reform must be just that—truly comprehensive. There can be no sacred cows.

Often, when I talk to business leaders, they tell me that too stringent environmental, health, and safety regulations are ruining them. But they gloss over the widespread waste caused by much of today's economic regulation. When I talk to labor leaders, they complain about anti-competitive regulation of certain industries, but they overlook the costly effects of OSHA. When I talk to consumer leaders, they decry the effects of a good deal of economic regulation, but imply hands off when it comes to health and safety matters.

If we give all such groups a prior veto power on proposed reforms—if we exempt everyone's sacred cows from searching review—we will accomplish nothing. We must be honest with ourselves and with each other; any such effort necessarily involves certain risks on the part of all of us.

Simply stated, nothing ventured nothing gained. And, in this crucial area, if nothing is gained, ultimately too much will be lost. Government regulation will continue to fester and encroach upon ever-new areas of our lives to the detriment of us all.

### All must be reviewed

So it is essential that we put all our cards face up. All regulation must be reviewed. All special arrangements reconsidered. All sweet-heart relationships reassessed.

If Congress itself is unwilling to accept a discipline for reform, then let's not waste our time, but get on to other things. Let's admit our inability to overcome the dinosaur of overregulation and warn the American people that they can expect more of the same.

Clearly, the unexamined agency is simply not worth keeping. We all stand to lose some of the things we want. We may end up saddled with some things we are not altogether comfortable with. But if we approach the task with perseverance and integrity, there are substantial benefits for each of us individually, for the economy, and for our society as a whole. □

REPRINTS of this article are available from Nation's Business. See page 50 for details.



# A Simple, Cost-Free, and Comfortable Way to Combat Job Tension

Dr. Herbert Benson and associates, after considerable research on how to get people to relax, have devised a four-step system which produces a bodily reaction they call the relaxation response. Here, Dr. Benson watches assistants use a polygraph in relaxation research.



PHOTO: ELLIS HERWIS

**E**VERY manager in every phase of business at one time or another feels job pressure. No one is excused, regardless of size or kind of business. All managers can benefit from knowing how to fight job tension.

At the Harvard Medical School and Boston's Beth Israel Hospital, the question of job tension has long occupied the attention of Dr. Herbert Benson and a coterie of physicians and researchers. They have devised what they say is a simple, cost-free, comfortable, and quick way to combat tension. It involves four simple steps which anyone can take.

Dr. Benson and his associates say a bodily reaction results which they call the relaxation response.

Major companies have tested the system and are now urging their employees to use coffee-break time for relaxation response sessions.

Dr. Benson, 41, is an associate professor of medicine at the Harvard Medical School and director of the Hypertension Section at Beth Israel. He has written a book, "The Relaxation Response," which was published in 1975 and recently appeared in paperback. It is also being published in other countries.

In the following interview with NATION'S BUSINESS, Dr. Benson gives his views on what to do about tension.

**Dr. Benson, what happens inside a**

**person during periods of tension?**

There is an increase within the body of a hormone called epinephrine, or adrenaline. This in turn increases blood pressure, the metabolism, the amount of blood flowing into muscles, and the rate of heartbeat.

There also is excessive sweating. And there may be other symptoms, such as headaches and upset stomach. These body activities prepare a person for running or fighting—they create a fight-or-flight response.

Other indications of tension include irritability, displeasure with others, and depression about work.

**Are business people more suscep-**





When you use the relaxation response technique, as this man is doing, you (1) sit quietly in a quiet place; (2) pick a word, phrase, or short prayer and repeat it over and over to yourself; (3) adopt a passive attitude—let things happen, do not combat anything—and (4) close your eyes, but do not go to sleep.

#### **tible to tension than other people?**

I think not. Everyone in modern society must cope with difficult situations.

Some people say ambition creates tension. This is not necessarily true.

Ambition is a healthy thing, provided that a person does not allow it to become overwhelming and upsetting.

Business people should recognize that business is only a part of life. Your total life must be taken into consideration, and tension must not be allowed to spoil it. What good are money, position, and successful business transactions, if tension leads to ill health, anxiety, and a sense of incompleteness?

#### **Can the atmosphere in which executives work cause tension?**

Very definitely yes. Environment often causes tension in a person.

A place of work may be associated with excessive worry, failure of plans to mature, other disappointments, and personality clashes.

All of these things increase tension in an executive.

#### **Does indecision on the part of an executive indicate tension?**

This would depend on the individual. If a person has a decisive nature and, for reasons of business or otherwise, is unable to make a decision, this does indeed help to create tension.

**What must a business person do to diminish tension at a time when, for example, he is struggling to meet a budget and cannot control costs?**

He should spare his body and nerves as much as possible. He or she can do this by making use of a response which is opposite to the fight-or-flight response.

We call this the relaxation response.

#### **What is a simple, nonmedical description of the relaxation response?**

The fight-or-flight response prepares a person for fighting or fleeing because of increased adrenaline in the bloodstream. The relaxation response is an opposite response. There is general quieting in the body when the relaxation response takes effect. There also is decreased blood pressure and marked decrease in metabolism.

#### **How does a person bring on such a response during a busy working day?**

By slowing down the business pace for ten to 20 minutes two or three times a day. During this period, a person combating tension should sit quietly, contemplating or meditating. Incoming telephone calls should be diverted, and all other distractions should be set aside.

There are four steps to induce relaxation.

First, select a quiet place. A quiet office will do nicely. An airliner is another good place for a business person to relax in; a modern jet is not too noisy, and a traveler in one has time to spare. You should sit upright, but be comfortable.

Second, you should select a word or phrase, or compose a short prayer if that pleases you. The word, phrase, or prayer should be repeated over and over—not aloud, but to yourself.

Third, adopt a passive attitude. Let things happen. Don't combat anything. Just repeat the word, phrase, or prayer time and again.

Fourth, close your eyes, but do not go to sleep.

The bottom line for all of this is relaxation, decreased blood pressure, less illness, better job satisfaction, and improved work.

#### **Do you recommend using your technique in advance of a situation which is likely to produce tension?**



The relaxation response should not be used as an immediate antidote. Just before a big economic conference or a session with a hard-driving boss is not the time suddenly to use the relaxation response.

The relaxation response should be built into daily life. Make relaxation a part of your life-style.

After two or three weeks, possibly sooner, the person using the relaxation response finds he or she is better able to cope with business problems, is generally more at ease, and is a much happier person. If a person does not reduce tension, his or her health could ultimately suffer, and he or she will be less effective in business.

#### **Who worked out the regimen?**

My co-workers and I at my laboratory at Beth Israel Hospital and at the Harvard Medical School.

#### **Are there examples of people in business practicing the relaxation response?**

Certainly. Several major American companies have each gotten hun-

dreds of their employees to use it. The companies have so far found it to be most effective and are considering replacing coffee breaks with relaxation response breaks.

At this time, before conclusive results have been obtained, I do not feel free to divulge the names of these companies.

These companies became interested after we conducted a pilot testing of a relaxation response program at a New England company and found that the benefits we expected from the program did indeed ensue.

When a company comes to us and wants to explore a relaxation response program, we prefer first to conduct a small pilot program among those of the company's employees who are most susceptible to tension. We examine results of this test and apply the findings to a program for a larger number of employees. We then turn over the program to the company, and we bow out. Execution is up to the company.

#### **Does a before-dinner cocktail or glass of wine help relieve tension?**

Many people claim so. But such drinking can be a dangerous habit, because if tension increases, one finds oneself drinking more and more to combat increased tension.

Incidentally, we have found that people who regularly use the relaxation response not only drink less, they also smoke less.

#### **What about jogging, bike riding, hiking, listening to music, reading?**

Yes, they can help relieve tension if they are handled properly and are not overdone. After doing these things, a person can have a wonderful sense of relaxation and quietude.

The relaxation response may be equally or more effective. And it is important to use the whole technique. Sitting quietly may help. So may quiet prayer or meditation. But repeating a prayer or a word or phrase is more effective.

We have tested this in industry, and we know this to be a fact. The main idea is to break the train of everyday business thought.

#### **Does letting off steam, giving what-**



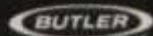
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**for to a subordinate, help to relieve tension?**

I doubt that screaming and shouting help.

It would be better for a person to be calm and in control of the situation than to vent anger.

Some people say that wearing tight collars and neckties creates tension, but I don't think wearing casual clothes would make a business executive less tense. As a matter of fact, it would probably have the opposite effect since the executive could feel improperly dressed.

**Is there any relationship between foods and tension?**

To a certain extent, some stimulants found in various foods may increase tension.

For example, caffeine leads to increased secretion of epinephrine, the hormone we have spoken about. So does nicotine.

I do not think there is any specific relationship between tension and eating fatty foods. Of course, fatty foods are bad for your health in other ways.

**What about noise? Does it increase tension?**

Of course. Noise does indeed help to create tension.

**Can tension kill a person?**

Yes. The fight-or-flight response brought about by tension may ultimately lead to high blood pressure, and this is a major cause of death through heart attacks and strokes. High blood pressure leads to hardening of the arteries, or arteriosclerosis, which in turn leads to other disease.

**Can medication reduce tension?**

Perhaps. But for the best type of relaxation, I believe, nondrug methods should be used.

**Are men more susceptible to tension than women?**

I think not. Situations create tension, and the more you get into tense situations, whether you are a man or a woman, the more likely that you will become tense.

**Would we all be better off living in small towns or out in the country?**

Some people think so, but I do not agree. Actually, some people need more stimulation than they are likely to get in small towns and on farms.

The important thing to remember is that working under time pressure, as we more often do in cities than in small towns, need not be harmful if the person learns to cope with such pressure.

If the person learns to balance relaxation with pressure, he or she can better deal with tension.

As for that old saying, "retire and die," I think a person should remain active and productive as long as there is a capacity and a desire to do so. I think this is just as true for people who live in busy cities as for those who live in the country.

**What do you see ahead for the business community as far as tension is concerned?**

Tension is one of our innate characteristics. Obviously, mankind has always had problems with tension and always will, although some of us are learning how to cope better with tension.

Some people feel less tension once they are into the rhythm of whatever they are doing. Athletes and actors, for example, may be less tense once they have gotten into the swing of performing on the field or stage.

Many business people are like these athletes and actors. Often, the business people's tension decreases markedly as they get into the rhythm of their jobs. But not all business people are like that. The others stay tense, and they and their performances suffer as a result.

Ours is an industrial society, and the only way we can get very large numbers of Americans to relax more is with the help of the business community.

I might add that in Japan time is regularly given for workers and management to relax and achieve the proper mental balance.

The business sector in this country must take the lead to institutionalize relaxation response breaks. I think this is about to happen at more and more companies.

Getting large numbers of people to practice the relaxation response technique on their own time would be most difficult. But if these breaks can be built into the work schedule, just as coffee breaks are now built in, business will be helping its workers and executives.

And, I hope, business itself will improve. □

PHOTO: ELLIS HERMAN



"Business people should recognize that business is only a part of life," says Dr. Benson. "Your total life must be taken into consideration. . . . What good are money, position, and successful business transactions, if tension leads to ill health, anxiety, and a sense of incompleteness?"



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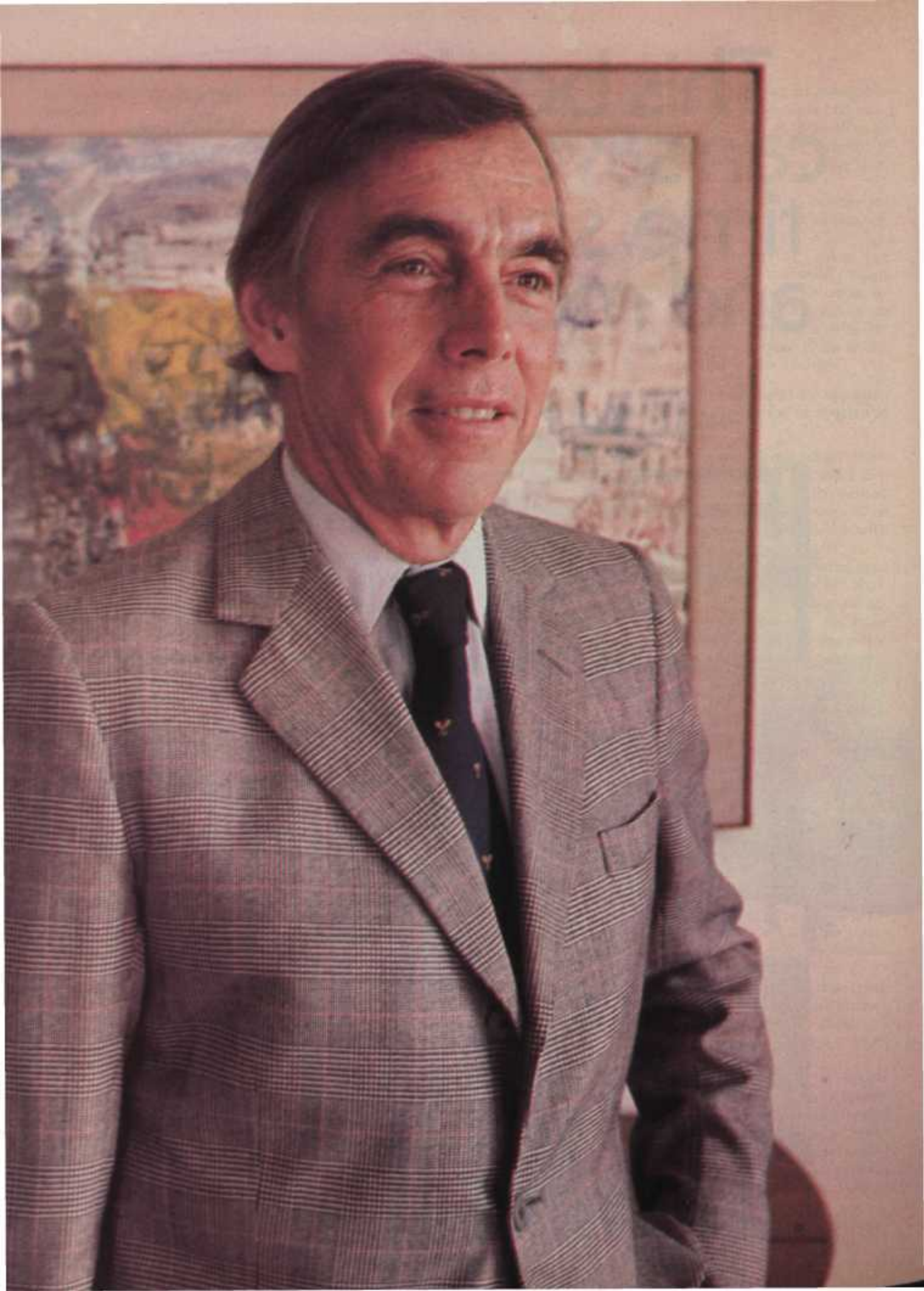
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# Turning a Troubled Company Around

Gould Inc. faced an uncertain future when William T. Ylvisaker became chief executive in 1968.

Since then, profits have risen an average of 17 percent a year

**S**ET AMBITIOUS GOALS and then find ways to achieve them.

William T. Ylvisaker adopted that strategy in 1968, shortly after he became chairman and chief executive officer of Gould National Batteries, Inc., then a troubled company with an uncertain future.

Net earnings the previous year were only \$2.8 million on sales of \$115 million. Capital investment had lagged, and productivity was down.

When he took the helm, Mr. Ylvisaker adopted specific goals for the company. These goals included emphasizing new product development, selective acquisitions, and attracting top management talent.

In 1969, the company was renamed Gould Inc. Last year, Gould had net earnings of \$45.5 million on sales of nearly \$900 million. Since Mr. Ylvisaker took over, earnings have increased an average of 17 percent a year.

Once essentially a maker of batteries, Gould has grown into an advanced technology-based corporation in the fields of electrochemistry, electromechanics, electronics, and metallurgy.

The company's electrical products, representing 71 percent of sales,

range from power stations to mini-motors. Gould still makes batteries—a new, maintenance-free battery, sold under various well-known retail names like J. C. Penney, is a Gould innovation.

Industrial products that make up the remaining 29 percent of sales include engineered bearings, bushings, seals, hydraulic controls, and fittings.

The company has 36,000 employees in 106 plants in the United States and 35 operations in 13 foreign countries.

Corporate headquarters are in the newly opened Gould Center in Rolling Meadows, Ill., near Chicago.

Built in a campuslike setting of 40 acres, the center evolved from Mr. Ylvisaker's concept of what a corporate headquarters should be. The center includes a high-rise office building and two smaller ones, research laboratories, and a management training center. There also is a sports complex where employees, members of their families, and company guests can play tennis, squash, and handball, swim, work out in exercise rooms, and use other health club facilities.

Executives' description of Gould as "the product development com-

pany" reflects the importance of the research laboratories.

The training center was designed for continuing education of the company's entire management group. "State-of-the-art knowledge," Mr. Ylvisaker points out, "is the most perishable thing I know."

Now 52, the Gould chairman came to the firm in his early 40's at the invitation of a board of directors who wanted to turn the company around.

Mr. Ylvisaker is a native of St. Paul, Minn., and an engineering graduate of Yale, where he also studied economics and accounting. He had worked as a bank trainee, head of an automobile agency, and an executive at three other companies before coming to Gould.

In this interview with a NATION'S BUSINESS editor at Gould Center, Mr. Ylvisaker discusses his company, himself, and his views of the American business scene today.

**As a business executive concerned about government regulation, what message do you have for the new Congress that meets next month?**

In a very broad sense, I would try to impress the people who make our laws with the necessity for providing





**"I'm a competitive person and a very persistent person by nature. . . . I am not satisfied unless I achieve my goals."**

greater opportunity, greater incentives, and fewer restrictions on business if our private enterprise system is to survive.

There must be incentives if companies are going to be able to find the investment capital they need to meet consumer demands and to provide jobs. If you take away incentives, business will not be able to attract capital, create new products, and generally take advantage of the kind of opportunities that have made our economic system great.

Government must also avoid the excessive regulation that destroys incentive by diverting energies from production. People who spend their time filling out government forms cannot give the attention they should to developing their businesses and to finding better ways of serving their customers. I recognize that some government controls are needed and that some paperwork might have value. But in too many cases, the information required is never put to any real

use. Those are just a few of the things I would ask Congress to keep in mind.

#### **How can business get this message across to Congress?**

Businessmen have to become advocates, not just believers in the private enterprise system. We have to drop our traditional low profile and speak up aggressively, without the reluctance that has been so characteristic of businessmen in the past.

We have to become more active politically, and by that I mean all businessmen and all employees. This movement should reach to the grass roots. Businessmen have to make their ideas and views known to their political representatives. Businessmen have to do so in a forceful way, over and over again.

#### **Gould is making many of its views known through a series of reports to the public on technology. How did this program come about?**

We were concerned about the many misconceptions that have arisen about what technology is and what it means to human progress. And I am talking not about technology for its own sake, but technology as applied to solve the urgent needs of people.

It was technology that eliminated pestilence, dramatically improved our health care, made our cities flourish, provided machines that freed humans from so much backbreaking toil, and made deserts bloom. It is technology that is at the forefront of our efforts today to eliminate pollution of our air and water.

Gould wanted to tell the story of how vital technological advance is to anyone who is concerned about solving human problems.

So we compiled a series of reports to the public on various aspects of technology. As we say in these reports:

"Science and technology must answer our problems. If they do not, nothing else will."

#### **You are saying that critics of technological progress are hampering efforts to solve major problems?**

To a great extent, yes, although they often do not realize it. Some critics just do not see the big picture. Take the health field. New technology and new equipment have provid-

ed us with far better health care than we have ever had.

The average life span has grown tremendously.

Look at the patient monitoring systems that were such a giant step in medical care. These systems came about because scientists had to find ways to monitor the physical condition of astronauts in space flight. Hospitals use the same equipment. Costs have been reduced. One nurse can look after 30 patients.

#### **Critics of technological advance complain that it requires us to consume our resources too fast.**

But technology shows us how to develop alternatives. We have learned how to reclaim and reuse many materials. For example, most of the lead that goes into batteries is reclaimed. The old battery that you trade in winds up in another battery.

When we at Gould sell batteries, we buy old ones from dealers who have taken them in trade. We break them up, extract the lead, re-refine it, and send it to our battery plants.

We have not yet found out how to reclaim the rubber in the battery cases, so that is thrown away. That is a tremendous waste, but I am sure we will find ways, over the next decade, to put that rubber back to use.

As resources become less available, the cost goes up. That stimulates people to find new sources of raw materials.

#### **On a more personal subject, what brought you to Gould?**

I was with GATX Corp., the big Chicago manufacturer, when I was approached in late 1967 about joining Gould as chairman and chief executive officer.

I had been looking for an association with a company that met two standards. One, that it was in the electric-electronic field. Two, that it had the potential to become a major industrial enterprise. Gould appeared to fit both requirements.

The company struck me as one that had problems, but at the same time, one that could have a bright future. So I joined Gould early in 1968.

#### **How long had you been at GATX?**

Nine years. I was group vice president for all of the company's non-railroad business. My group included



# Why Puerto Rico offers manufacturers the world's best investment climate

by Max Ways

A former *Fortune* magazine editor, Max Ways, tells how this United States island has been able to develop "the world's most successful program of industrialization."

Read his report. Then send in the coupon for details.

"Businessmen are becoming more aware that their costs are largely determined by the political and social climate of areas where they operate.

"In many parts of the world, including some states of the U.S., business is regarded as an enemy or as the easiest target of taxation. Not so in Puerto Rico.

## \$4.5 billion invested

"Since the 1940's Puerto Rico's people and leaders have made an intense and successful effort, the famous *Operation Bootstrap*, to attract manufacturers—and to hold them. Over a hundred corporations in the *Fortune* 500 now have plants in Puerto Rico. All told, \$4.5 billion of investment in 1,800 plants has been made in Puerto Rico since *Bootstrap* began.

"The heart of *Bootstrap* is a compact between the people of Puerto Rico and Washington. By its terms, Puerto Rico is a full participant in the U.S. economy. Goods made in Puerto Rico enter the mainland without tariffs or restrictions.

## Free of U.S. taxes

"But the plants that make the goods are free of U.S. taxes. Moreover, factories locating in Puerto Rico are granted up to 30 years of immunity from island taxes.

"In some countries, the invitation to business is, in reality, no more



Max Ways tells how Puerto Rico's famous *Operation Bootstrap* helps attract manufacturers—and keep them.

than a transparent sticker pasted on an unmistakable socialist policy.

"In no case, except that of Puerto Rico, has a program of attracting business been the heart and center of a government's economic policy for a whole generation.

## More than tax breaks

"Industrial managers I've talked to praise Puerto Rican workers. 'They are eager to learn.' 'Productivity is high.' 'They get involved in the job.'

"Such comments signify that 'the climate' reaches deeper than governmental policy.

"And this climate will, I believe, persist for many years. Puerto Ricans aren't likely to forget what *Bootstrap* has done for them.

"It has created 400,000 jobs, rapidly raised the standard of living and transformed their society from stagnation to dynamism.

"In spite of this, unemployment is still high—three times that of the mainland. But *Bootstrap* has justified Puerto Ricans' hope for the future and their faith in free enterprise.

"In short, Puerto Rico offers manufacturers the world's best busi-

ness climate—and there is every reason to believe this deep-seated attitude will continue."

## Puerto Rico's incentives

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terminals, tank storage, plate welding, construction, plastics, and processing equipment.

**You are an engineer by training. Did you always plan on a career in a technical field?**

While I was not sure exactly what field I wanted to be in, I had the idea from the outset that I wanted to either own or run a business.

I studied engineering at Yale, starting with mechanical engineering and finishing in industrial engineering, but I also picked up a lot of economics training. I wanted to learn how to make money in business, and I thought engineering would give me an excellent background if I coupled it with economics.

**What was your first job after Yale?**

I went through a training program

night job, the kind of experience you really enjoy at that age. I was only 24 at the time.

**But you decided against staying in the auto business?**

Yes. After three years with the agency, I decided I wanted to join a major company. I went to the Pheoll Manufacturing Co., which is now part of VSI Corp., and wound up as vice president and general manager. Pheoll made industrial fasteners.

I went from there to the presidency of Parker-Kalon, part of USM Corp., which also makes industrial fasteners.

**Did you finally get to put your engineering training into practice?**

If you have engineering training, you apply it to everything that you

right, merging with another company, or finding new management. Luckily for me, they chose that last option.

**You were a new man with the responsibility of turning around a company with big problems. How do you handle a challenge like that?**

The first thing was to break the company down into its simplest organizational parts. Gould had been operated more or less as one company, although management really had four businesses—automobile batteries, lead acid industrial batteries, nickel cadmium batteries, and automotive castings.

We created two divisions, automotive products and industrial products, and selected new people to run the divisions.

Also, we produced a detailed financial breakdown on all activities, so we could identify the problem areas. That was a big job, but once it was done, we could determine what corrective steps were needed.

As a result of that analysis, for example, we sold off some operations.

**Such as?**

Rubber cases for batteries. Gould had been making its own cases in three plants and losing a lot of money. We found we could buy cases more cheaply.

We also found we could cut the number of plants making batteries from 19 to nine without any loss of output and with a lot less overhead.

Steps like that began making the business profitable right away.

Then we started to bring in new talent, to acquire working capital, to establish planning programs and goals. We put a tremendous effort in product development. And we started seeing results.

**You mentioned new talent. How do you decide when you should bring in new people and when you should keep those already with the company?**

I do not think there are any fixed standards. You have to evaluate people as best you can.

If you think those already with the company have the ability, you give them the opportunity to prove it. If they do not produce, you have to find someone who will.

**You mean managers were given op-**

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**"Here at Gould, we are positioning ourselves to take advantage of what we see as the inevitable growth of the market for equipment using electrical energy. We are working on such things as the best way to power electric vehicles. . . ."**

---

at the Bank of New York. My title was assistant security analyst. I learned a lot about money, the money markets, and balance sheets. I was only there a year, but it was a very valuable experience. I followed that up with running a small business, an automobile agency to be exact.

**Tell me about the agency.**

I wanted to go back to the Midwest. The bank helped me land a job with an auto dealer in Evanston, Ill. He trained me in the business and later set me up in an agency that I ran for him in Lake Forest, Ill.

This was another great experience. I bought the land, built the building, obtained a Chrysler franchise, hired the staff, got the whole thing going.

I remember setting up the parts department, selling cars, working with the mechanics. It was a day and

do. You develop very logical thought processes, because you have to calculate to reach specific conclusions. If you put in the right numbers, you come up with the right answers. You are always using your engineering training.

**What kind of company was Gould when you arrived?**

Essentially, the company was in the lead acid battery business. In the previous five years, business had not been good. A combination of problems had plagued the entire industry. In addition, the company had its own difficulties. The company had gone through a major strike, and plant and equipment were run down because of insufficient reinvestment of capital.

The board of directors reached the point where they considered three options: selling the company out-



opportunities they had not had previously?

Right. But at the same time, our new approach made it easier to judge performance. We had installed a financial reporting system that gave us clear-cut information on costs and results.

It was just like a scorecard. We could see how managers were doing. Managers could see the results, too. Detailed financial information is so important in making decisions.

**Would you describe how your financial control system works?**

We have some of the most sophisticated management and financial information systems in the country. For example, we receive reports from all our profit centers throughout the world on key financial data as of the close of business every Friday. That data is available here at corporate headquarters at 9 a.m. the following Monday.

Complete monthly financial reports are in hand here six working days after the end of the month.

Of course, this entire system has been continually improved and refined since we first installed it.

**What are some of the newer developments?**

Gould executives can now dial a ten-digit number and immediately bring up on a computer terminal viewer up-to-date figures for all groups and divisions of the corporation. Figures that do not conform to our budget projections are spotlighted. All this is generated directly from our computer system.

In fact, this system helped us spot the onset of the recession in 1974.

**How did you act on that information?**

We cut back purchases, reduced inventories and overhead, and generally got ready for the business downturn. The end result was that Gould had a record profit in 1975, although the American economy was in deep trouble.

**How would you describe your overall management philosophy?**

I'm not sure you would call it a philosophy as such. I'm a competitive person and a very persistent person by nature. I think you have to establish goals, both professional and personal, although they often over-

lap. I am not satisfied unless I achieve my goals.

Also, you have to give a lot of consideration to people, not only finding the right kind of people but taking care of them, seeing to it that they are properly rewarded.

I do not mean just financial rewards, but seeing to it that they enjoy their work. It all comes down to finding the right kind of people, motivating them, and providing them with a work environment that is stimulating and helps them be creative.

**What do you mean when you say you are persistent?**

I like to get things done and done well. Basically, we have built a management group that is highly oriented toward results and toward profits. We provide the opportunity to achieve results and the responsibility

year and reach \$2.5 billion by 1981.

**How have you managed to achieve your growth?**

Our growth has been the result of corporate objectives that we established early in 1968.

Those objectives call for above-average growth by emphasizing research and development, providing above average opportunities for highly motivated management talent, obtaining an after-tax return of at least 12 percent on net investment, and building a soundly financed, professionally managed group of companies through acquisition or merger with compatible businesses.

**You have been successful with new products?**

Very much so. Research and development on new products at Gould

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**"It was technology that eliminated pestilence, dramatically improved our health care, made our cities flourish, provided machines that freed humans from so much backbreaking toil, and made deserts bloom."**

---

to go with it. The rewards are very generous. Our turnover has been well below industry standards.

**Gould's annual sales were \$115 million when you became chairman and chief executive officer. How big do you believe this company should be?**

My main concern is profit growth. We have had an average net profit increase of 17 percent a year for eight years. That is what I am interested in, plus return on investment and cash flow. If you concern yourself primarily with those three factors, sales growth will take care of itself.

That does not mean I am not interested in marketing or sales, but my primary concern is earnings improvement.

Last year, we earned more than \$45 million on sales of nearly \$900 million. We anticipate sales will keep growing at more than ten percent a

is heavily oriented toward marketing.

The result of these efforts has been a stream of products such as the maintenance-free battery, the nickel-zinc battery, a new digital data recorder, a catalyst for auto emission control, an ink-jet printer, a new lead-aluminum bearing, and an ultra-thin copper foil, to name a few.

**How much of your growth is due to acquisitions and how much to internal growth?**

We have made 25 acquisitions that have accounted for 54 percent of our sales growth since 1969. Our recent merger with I-T-E Imperial Corp. increased our sales by \$503 million. I-T-E's principal business is the design, manufacture, and sale of equipment for transmission, distribution, and control of electricity.

We do not anticipate any other major acquisitions until I-T-E is well-



integrated with our other operations.

#### **How do you allocate your personal time?**

My time here in the office is spent with our own people, or with visitors who are here on company business. I get here about 8:30 in the morning and usually don't leave for home until 7:30 or 8 at night.

Looking at it another way, 50 percent of my time involves, in one form or another, planning for the company's future in many different areas—research, finance, management assignments, what types of new businesses we are going to be in, things like that.

I am not very much involved in outside activities. I devote my time to the company. I think the biggest job I have to perform is long-range planning.

#### **How far down the road do you plan?**

It varies. In terms of our current business activities, we do not go beyond five years. In terms of technical planning—developing new products—we look ten years ahead. We think 15 to 25 years ahead in terms of the broad concept of the company, its new areas of opportunity, and changes that will take place in the business structure of this country and the world.

#### **What is an example of the kind of things you look at 15 to 25 years ahead?**

Energy is probably the most important one right now.

Over the long term, more and more of our energy is going to come from electricity. I am not saying how it is going to be generated, whether through solar power, more nuclear power, or what. But as petroleum continues to become more costly, use of petroleum will diminish. We must have more electrical energy to make up the difference.

Here at Gould, we are positioning ourselves to take advantage of what we see as the inevitable growth of the market for equipment using electrical energy.

We are working on such things as the best way to power electric vehicles and developing a storage battery for peak shaving for utilities.

#### **What is peak shaving?**

Peak shaving covers a number of

techniques electric utilities use to meet peak demands that overtax their normal generating capacity.

#### **You could supply energy to a utility company with a battery?**

Yes, but it would be a storage battery the size of a small generating plant—10,000 square feet or so. You would charge it from your normal generating equipment during the night, when power demand is low, and take out the stored electricity in periods of peak demand during the day.

We have a grant from the Energy Research and Development Administration for a feasibility study, and we are hoping for a contract to build a prototype.

#### **What progress are you making on electric-powered vehicles?**

The key there is a breakthrough on storage batteries to achieve a substantial increase in watt hours per pound. We are doing extensive work in this area right here in our own laboratories, and our electric-propulsion systems are being tested in U. S. Postal Service vehicles in actual use.

#### **What is the concept behind Gould Center?**

It evolved from a general idea of mine that we could have within the same area an environment where people could live, work, and find recreational opportunities.

Younger people, in particular, are thinking more today about a better-balanced life—spending more time with their families, for example, and less time going back and forth to work. So here in this suburban area, where many of our employees live, we have this center where they can work, be creative, further their education, and enjoy the sports center together with their families.

#### **How is the education center used?**

Our entire management group needs continuing education if we are to continue to meet our goals. One of the most perishable commodities in the business world today is state-of-the-art knowledge.

If we are to have a successful business, our people must have every opportunity to keep up with developments in many fields—including strategy and planning, finance, cost reduction, marketing, product de-

velopment, materials management, and asset management.

Managers come here from all over the world to live, work, and learn together.

#### **Do you get to use the sports center much?**

Not as often as I would like. I live on a farm not far from here, and I get up early every morning and put in an hour or so of exercise there—swimming, tennis, riding.

I also like to work around the farm, fixing things up, mowing the lawn, gardening. It relaxes me.

#### **What do you consider the most encouraging aspects of society today?**

We have seen an end to the upheaval of the 1960's and early 1970's. I also see a trend toward greater morality, and I think this is very healthy.

There is a strong desire for tranquillity, for peace in the world. People are not so aggressive—neither as quick to take to the streets for demonstrations nor, at the other extreme, to go to war.

Our standard of living has improved tremendously. Granted, we still have problem areas—slums that should not exist, for example. This is a matter of proper allocation of resources and of educating people to take care of themselves.

This is an unusual country. There is such a marvelous mixture of backgrounds and races. At the same time, our diversity has created many problems that we can and will solve.

In general, I am encouraged by people's desire for a more stable life, their desire for peace, and their more positive attitudes toward what is right and wrong.

I think young people, in particular, are more kindly toward their fellowmen. Some have had problems with drugs and other adverse influences, but our young people have more humane feelings, show less racism, are more open and better-balanced, and all around are happier than many of their elders.

Also, I believe these young people will work for the benefit of our system, so long as they are educated to know what that system is. □

REPRINTS of this article are available from *Nation's Business*. See page 50 for details.



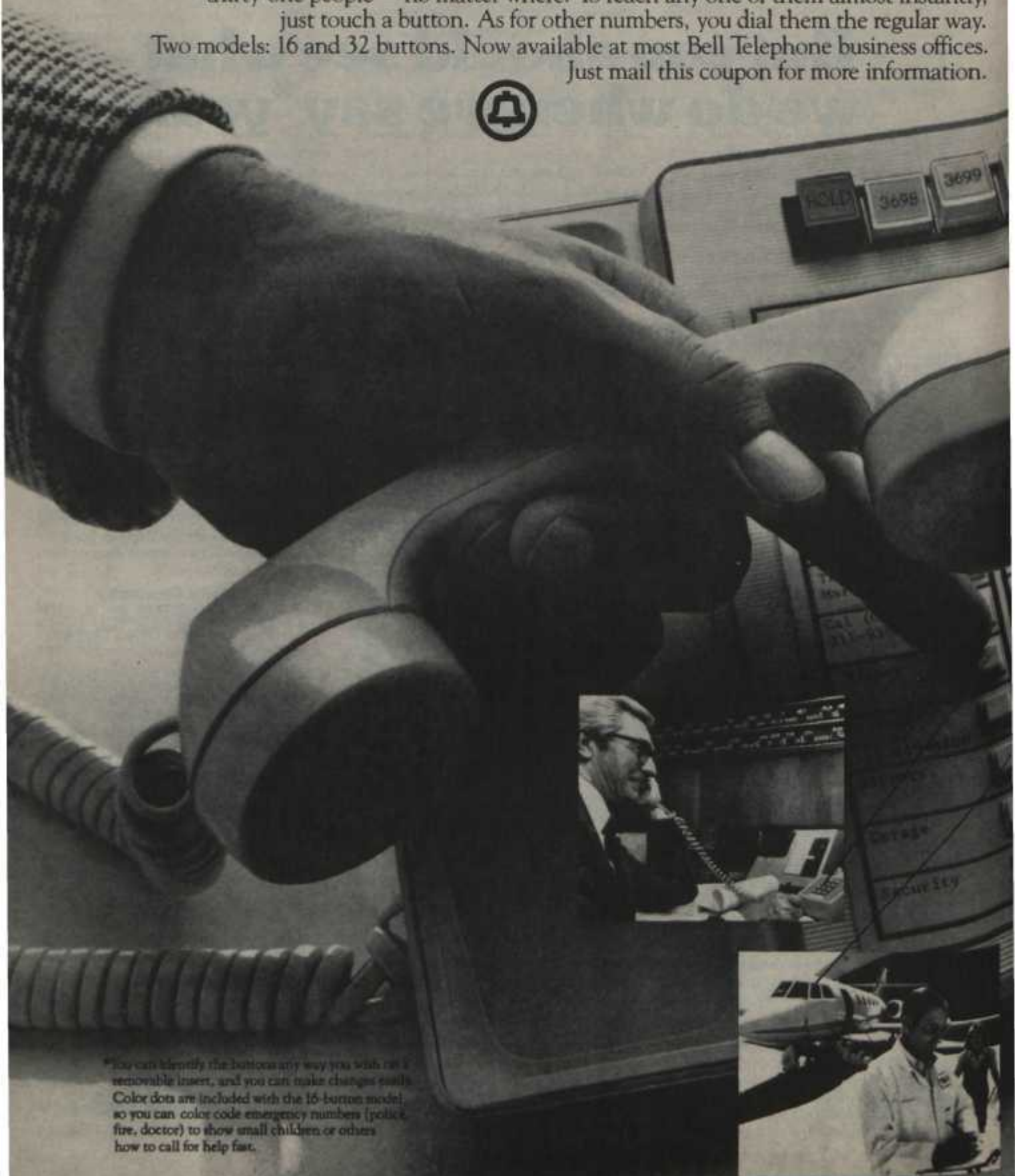
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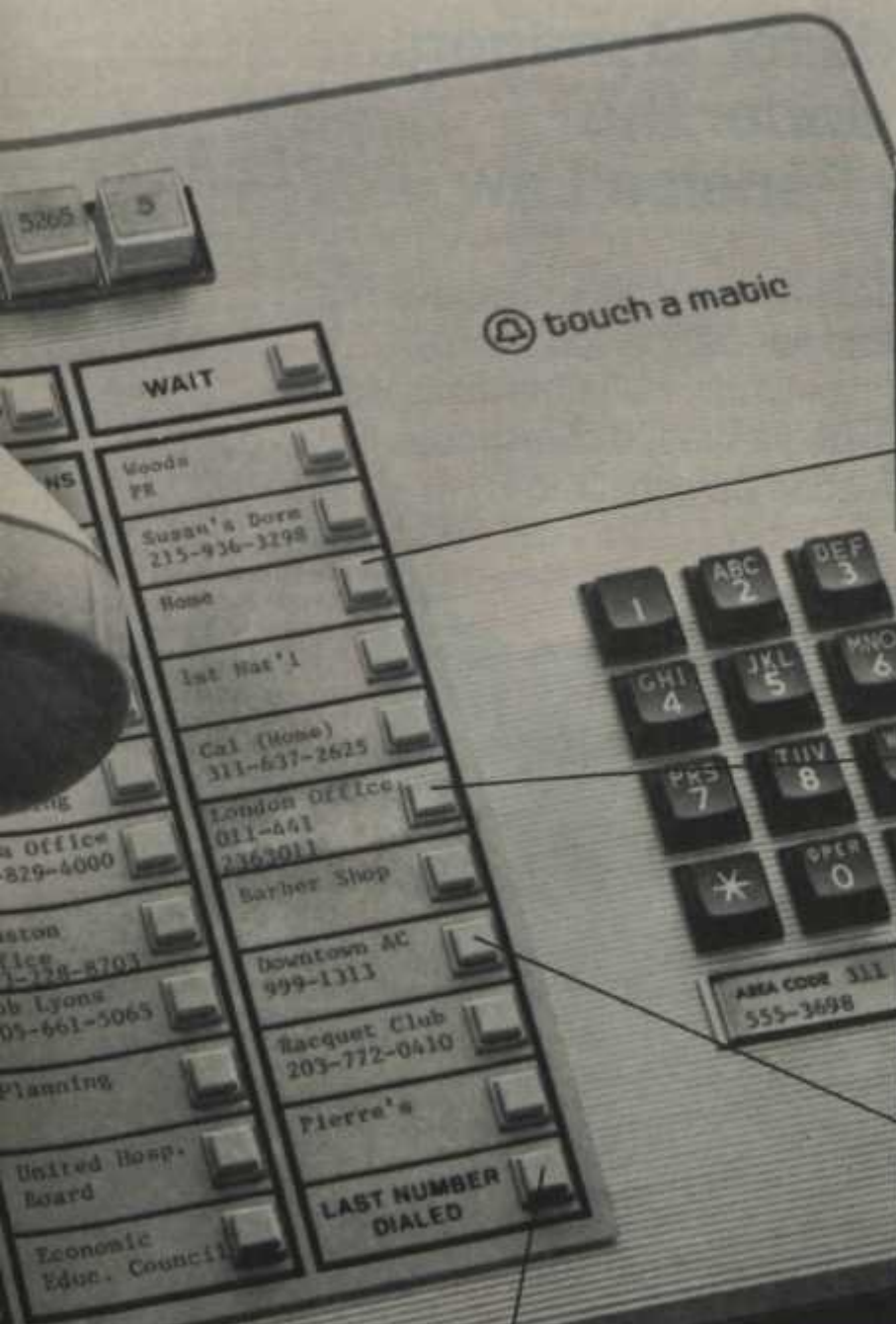
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## Hazards for Managers Under the New Pension Law

The Employee Retirement Income Security Act will impose a fiduciary responsibility on many people in authority in the business world, this expert says. And a breach of responsibility could lead to personal liability

BY TOWNSEND BROWN II

ON SEPT. 2, 1974, Gerald Ford celebrated his first Labor Day as President by signing into law the Employee Retirement Income Security Act, ERISA to both friend and foe.

ERISA's purpose was one which practically anyone this side of Ebenezer Scrooge might applaud. The power of the federal government was invoked to make pensions more certain. Uniform pension plan requirements were set. Object: to guarantee that retired workers actually would get what their former employers had promised.

So much for good intentions.

Naturally, a lot of politicians wanted to share the plaudits for enacting such worthwhile legislation. A number of senior members of Congress were involved. The labor committees of both House and Senate, as well as legislators closely concerned with taxation, welfare, and budgets, felt that their turf was being affected. Few prerogatives are more jealously guarded than the territorial rights of America's elected representatives.

There were, accordingly, a great many noses which had to be carefully



Mr. Brown is portfolio manager for Wood, Struthers & Winthrop Management Corp., a Wall Street firm supervising both mutual funds and private accounts.

kept in joint. That meant that the final bill signed by President Ford was midwifed by a host of jealous egotists.

### Vague standards

As a more or less inevitable result, ERISA is a collage. The act's standards are vague. Lawyers are likely to prosper as courts interpret those standards and defendants seek to escape from the more onerous liabilities. Unfortunately, there are rather few guidelines.

The liabilities the act imposes are all too real.

Any corporate director will very likely be faced with fiduciary responsibility as far as his company's pension plan is concerned. This does not mean merely that he has to keep his hands out of the till. He is charged with the obligation to oversee investment management, and that may imply a duty to look into each portfolio change. A breach of responsibility can lead to personal liability for plan losses and even to criminal penalties. It is, in short, no joke to be a fiduciary.

Many people in addition to corporate directors may well find them-



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I'm getting old, and I don't have much longer to live. Unless I do this now, when I go the secret goes with me.

What I am about to give you is KNOWLEDGE...the knowledge that men have been searching for since time began.

I used to be an ordinary man. I spent the early part of my life stumbling in the dark, trying to find a way to make all the dreams I had as a young man come true. I wanted, like most young people, to be wealthy, admired, respected. I wanted love and happiness. I also had many questions about life and I wanted some answers. Yet, no matter how hard I tried, everything always seemed to be kept from me. As though it was all hidden in the very next room, a room whose door was impenetrable without the right key.

After years of being kept from those things that I wanted most in the world my spirit could have easily broken if I allowed myself to become consumed with failure and rejection. Little could I know then how lucky I was for this to have happened to me. For something grew inside me that would not let me rest until I found the answers that would bring me all the things I so desperately wanted.

This was the beginning of a search that would become an obsession. To find the knowledge that I so desperately longed for and knew must exist somewhere. The inspiration of the great men of the past took much of the torment away. The multimillionaires and reclusive billionaires that seemed to have the world at their beck and call. The men that were able to control the very destinies of nations. How they held respect and admiration, how they were rich and powerful but not me, never me. What did all these great men have that I didn't? I knew there must be an answer

and I dedicated my life to finding it; because I knew there could be no true life for me until I did.

I started to read, to do research into the past. I spoke with and studied of the richest, the most powerful, as well as the wisest men of my time. I read every possible piece of literature that I thought would hold a clue. I delved into the oldest recorded writings of the ancient civilizations. I studied and I learned. Trying almost insanely to put all the pieces of this great puzzle together. I kept asking myself, what did these men have? What did they have that I didn't and how could I get it?

I involved myself in all sorts of situations trying to put into practice what I had learned. I traveled with the hope that the answers might somehow lie beyond the horizon and though I didn't find them there, I know now that the

proverb, "Seek and ye shall find," couldn't be more true. For when the answers were finally revealed to me they came in a way that I could not directly attribute to any place I had been or any individual effort I had made to find them. It was as though my mind had crossed into a new frontier, a frontier that I was certain relatively few men had ever gone into before. Suddenly I saw the whole world differently, what seemed confusing before I could easily understand. What was unobtainable before suddenly became easy to get. The things that people saw one way I saw differently as though I could detect more aspects of the same thing and thereby see it more clearly or as it truly was. I had an undefined power that gave me an advantage over everything I did. After a while I realized that I was very different from before. I was at last the way I wanted to be. I had learned what I wanted to learn and was at long last able to live the way I had dreamed and knew it was possible



The late J. Paul Getty standing in the courtyard of his home at Sutton Place, London. The knowledge, wisdom and experience of this great man is now yours to share, as he intended you to. But it's up to you to make the decision to accept it.

for a man to live.

It is written, "Once in a thousand years a man lives a dream." For the last third of my life that is exactly what I have done. I have lived with more wealth and power than any man could ever want. I have done almost everything that I have set out to do. I doubt if there has been a man who has lived a more fulfilled life than I. But now I have only memories. This, in my opinion, next to life itself, was the greatest gift that a man could be given. But now I have come to realize that if I don't share this knowledge now I may never get another chance to do so. I now know that I am obligated to share it and in the end this was the way the fates had destined it to be.

I would like you to have my secret, but you'll have to realize that this ad will be read by many people, many whom I do not

know but a few will be chosen to carry on for me after I am gone. I have written what I have learned and published it in a special limited edition book that contains only 344 pages. I have titled it "The Secret of the Ages." I want you to own a copy of this book that is specially bound in library-type binding, but I want you to pay for it. I want you to send me a check for twenty dollars that you may even postdate up to thirty days to eliminate any doubt as to its value and to give it a chance to prove its worth to you.

The reason that I am asking you to pay fifteen dollars is that I want to make sure that you read it and I feel that if you paid twenty dollars for it, then it will be read.

With my book, I will also send you a book written by the man who was renowned as the richest man in the world, a man whom I've had great respect and admiration for, the late J. Paul Getty. His book is "The Golden Age." I have bought at great expense, the rights to publish this great

book after Jean Paul's recent and sad departure from this world. I have also printed it in very limited quantities. The book is bound in special library-type binding that should allow it to last for generations to come.

I feel that it is essential you read, along with my book, the message that Jean Paul wanted you to learn...and acquire the truths that took the richest man in the world his entire lifetime to learn.

Therefore, I am making you the following offer: If you feel that after reading my book it is not worth many times more than the mere twenty dollars you've paid for it, then send it back to me and I will return your uncashed check immediately. Not only that, you can keep J. Paul Getty's book "The Golden Age," for your trouble. You can lose only if

you do nothing.

If you want to own these two books, write on a blank piece of paper the words "Send me the books," along with your name and address. Mail it along with your check, that may be postdated up to thirty days, to me, Robert G. Collier, in c/o Collier Book Corporation, Dept. N-12, 531 Wyckoff Avenue, Ramsey, N.J. 07446

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selves in that highly uncomfortable position.

A Senate-House conference committee report on ERISA stated that the fiduciary class would be defined as all "persons who have authority and responsibility with respect to the matter in question, regardless of their formal titles." Obviously, this includes a number of corporate officers who are not members of the board of directors. It also opens a Pandora's box as far as anyone giving investment advice is concerned.

Thus was born a potential hazard, under federal law, for other executives who are only marginally occupied with a firm's retirement plan.

#### How careful?

It is not easy to define the degree of care expected from the large number of people who suddenly have the responsibilities, if not the title, of a trustee. Traditional standards derive from English trust rules which restricted investments to government bonds. Inflation blew that one out of the water, and what evolved was a kind of weasel definition of the "prudent man."

For years, courts obliged a trustee

to follow the paths blazed by men of "prudence, discretion, and intelligence" in handling their own affairs. ERISA added a new wrinkle, the "prudent professional." So far, no one really knows what that means, but it is abundantly clear that losing a violation-of-trust proceeding can be very expensive. Even winning is no picnic, because attorneys do not come cheap.

A number of high-priced lawyers have tried to think up ways to relieve their clients from fiduciary responsibility. Generally, this approach requires building a sort of Chinese wall between corporate officials and those who decide what investments a retirement plan will make. Very often, expensive insurance policies are bought to protect company officers from liability.

#### Investment standards

So far, there has been no clear decision spelling out whether these schemes are acceptable, but it would appear dubious at best to bet on judicial acceptance of an ostrich-type defense. If someone is responsible for certain acts, then no amount of sand is going to protect his head when

those acts are performed improperly.

What does appear realistic is to document investment decisions with at least as much care as most people spend on income tax deductions. This does not mean a corporate officer has to take the time to do fundamental security analysis on every transaction in a pension account. More than likely, he does not really have the background for that sort of activity, anyway.

The kind of thing he can do, however, is to set up certain standards for screening purchases and sales. A plausible format might be to insist on measurements of the earnings, profitability, and financial strength of any company being considered for a pension account.

For example, the corporate officer might adopt a quantitative screen for prospective investments. Standards for consistency of earnings growth, inventory turnover, balance sheet ratios, and internally generated growth in book value could be established, and a system of numerical ratings might be set up. Each candidate for purchase would thus be examined on a uniform basis.

#### Evaluating the future

Since these techniques tend to relate to the past, there would have to be some sort of qualitative evaluation of the company's future. It is not necessary that the fiduciary make such judgments himself. However, he should insist on obtaining securities research which addresses itself to these questions.

For example, it is significant to know what the company's future capital needs are likely to be. Similarly, intelligent appraisals must be made of the outlook for foreign competition, labor disputes, potential pension liabilities, and new product development.

This is, by no means, meant to be a shopping list of all necessary criteria. The point is simply that the nature of the standards is probably less important than their uniformity.

By applying them in a sensible and rigorous manner, a fiduciary can create a kind of retraceable logic. While this may not be a guarantee, it should give the executive a fighting chance. It may also make him a more intelligent overseer of his company's pension plan, and that could well be what ERISA is all about. □

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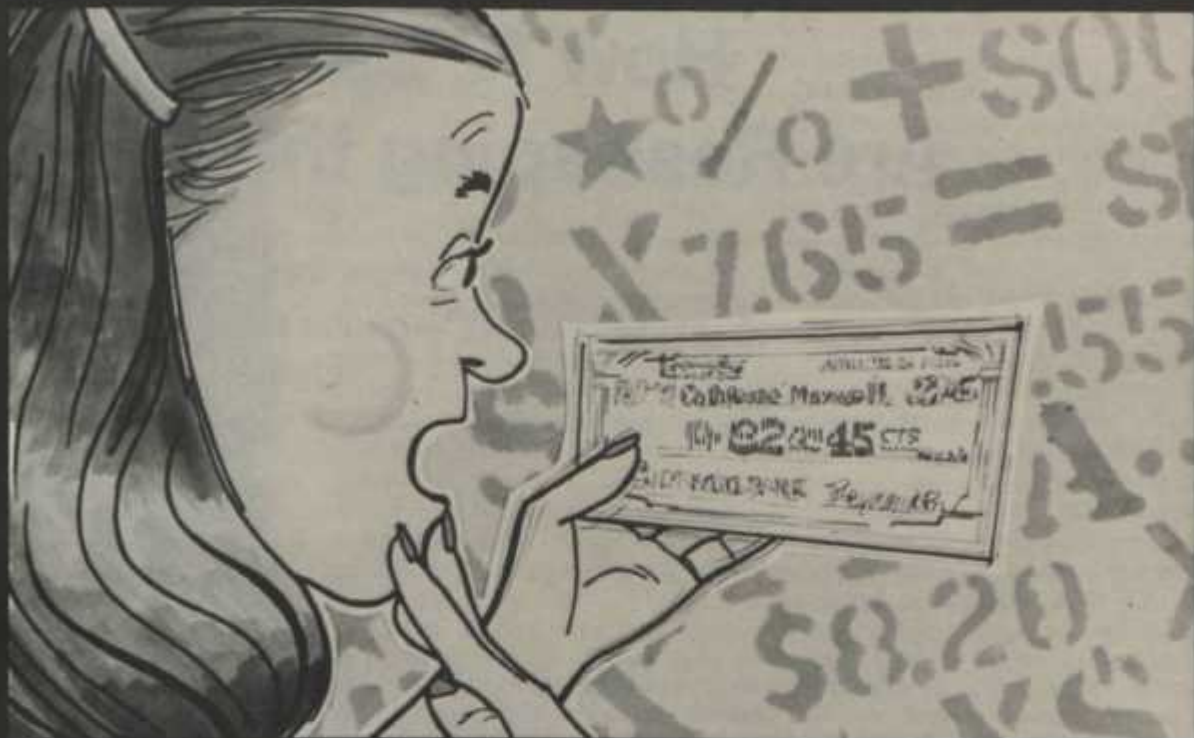
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# How 12 Basic Changes Are Reshaping the Economy

Taking a look at the future, the head of Bank of America sees great opportunities for alert business managers

BY A. W. CLAUSEN

**A** FEW YEARS AGO, an attractive young woman walked up the steps of J. P. Morgan & Co. in New York's financial district and disrobed. She was promptly arrested and charged with corrupting the public morals. She was not convicted, however. As her attorney pointed out, there was nobody around to be corrupted. The street was empty.

If this bold young woman had been around Wall Street earlier this year, her attorney probably would have had to devise some other defense. Worse, perhaps, she could have been overlooked, if not trampled, by hordes of eager investors rushing pell-mell to get into the record-breaking 1975-76 bull market.

Think of it: Not long after the New York Stock Exchange had witnessed near-historic trading lows, it witnessed record-smashing volume.

## Record-breaking activity

Every volume record in the history of the Big Board was broken in the first two months of 1976. There was:

- The highest turnover ever in a single hour.
- The highest turnover ever in a single day.
- The highest turnover in a single week.
- The highest turnover in one month.

And that's not all. In January, we saw the Dow Jones industrial average

zoom up 123 points—the highest one-month rise in the history of this psychologically important index.

Aside from the fact that all this activity has been wonderfully remunerative for brokers, what does it mean for business?

A good bit, I think. We are galloping into a volatile economic future. The radical swings of the recent past have not been confined to the stock market. Indeed, the stock market, as usual, has been a bellwether for the economy as a whole.

## A series of traumas

We have seen equally dramatic swings in interest rates. We have seen unemployment and inflation first skyrocket and then moderate.

Along with these unsettling events have come other social and economic traumas. Among them:

- The once-inconceivable spectacle of New York City, the nation's most important metropolis—indeed, a city whose bonds had been A-rated only a short time before—teetering on the brink of default.
- The extraordinary and depressing spectacle of corporate leaders confessing to a sordid laundry list of secret and illegal acts.
- The bankruptcy of one of the nation's leading retail chains.
- The failure of three major national banks.
- A federal deficit larger than the

entire federal budget was in 1949, which was not really so long ago.

• Despite massive public expenditures, the persistent and continuing presence of almost every social problem the expenditures were designed to alleviate.

We have seen a good many things recently which we would rather not have seen. And we have learned a lot of things which we might be happier not knowing. But the situation is not completely bad.

Today, managers who are quick on their feet and planners who are able to forgo nostalgia for the fast-vanishing world of stable prices and predictable profit margins will find opportunities in great number coming along.

Not that the shape of the future is necessarily clear.

Do not be misled by any relative consensus on near-term economic projections. If Walter Heller, Arthur Burns, David Rockefeller, and I happen to agree on how an interest rate may change next quarter, it could be because we generally project from the same data. By and large, we rely on the same or similar econometric models.

These models are useful, but they are not infallible. They failed, for instance, to predict the 1974-75 recession, and they underestimated the strong upward surges of the stock market, the capital markets, and the economy in the first half of this year.





● What is the economic climate through 1980 likely to be?

● Where do we get the money to finance our essential needs, public and private, domestic and international?

● What can we expect of our international trading relationships and our export markets?

Econometric models are better than horoscopes and crystal balls, but not much better.

#### How to plan

How, then, do we plan for the future?

First, we discard the amiable mythology that precise forecasts are possible. Today's projections may hold for tomorrow, but don't count on it.

Second, we abandon the appealing but unproductive tendency to imbue the future with the qualities of the past and the present.

Third, we speed up our reflexes and cultivate flexibility in our management controls.

Fourth, we become expert at contingency planning.

And fifth, we develop a view of the future and an attitude toward change that can profitably accommodate the new economic order.

Now, what does all that mean? I would like to answer in the context of three specific questions:

1. What is the economic climate through 1980 likely to be?
2. Where do we get the money to finance our essential needs, public and private, domestic and international?
3. What can we expect of our international trading relationships and our export markets?

Then I will sum up by examining a more far-reaching question: Have things really changed, and, if so, how have they changed?

#### Good economic climate

First, about the economic climate—

As I see it, the present economic signs indicate that the climate for the decade will be good. Here are some of the signs:

- Unemployment and inflation are moderating.
- Corporate profits and consumer income are rising, and so is confidence.
- A modest upturn in the housing industry and a more substantial comeback in the automotive industry are broadening the base of recovery and should significantly reduce our immediate economic anxieties.
- The pace of business investment

is picking up and should continue to do so in the months ahead.

On the federal level, monetary policy is not restrictive, and fiscal policy appears intelligently restrained. The new congressional budgeting process has had a wholesome effect on federal spending in its first year of operation.

Thus, we can expect to head into 1977 in a strong economic condition.

I don't mean to imply that we can't have another recession. Although the second half of this decade will be substantially more stable than the first half, the swings in the middle are likely to be wider. We are going to see a lot of ups and downs in the next five years. We could see another brief period of double-digit inflation, and, if so, a recession may follow, though it would not be so deep as the one that ended last year.

#### Learning our lessons

This does not mean that I subscribe to the often touted end-of-the-decade boom-and-bust scenario. On the contrary. The moderate quality of the present recovery provides an opportunity for us to lick our financial wounds and to position ourselves for the changes to come.

Liquidity is the base for sound management in an unsettled period. Now is the time for corporate managers to plan for future liquidity. The lessons of the past five years should be taken to heart. The current respite offers an opportunity to review plans for capital formation, capital allocation, and long and short-term credit needs. Now is a good time to reevaluate dividend payout policies and debt ratios. This is important.

Our financial markets are increasingly volatile. They are going to be increasingly sensitive to bad news—and we could hear a lot of bad news in the next half decade.

For example:

- A number of state and local governments could follow New York City to the brink of default.
- The price of imported oil will rise. The question is not whether, but when.
- There will be significant price swings in other commodities. Prices may surge as much as ten percent in



a single month, although, for the year as a whole, the fluctuations will probably average out at five percent.

- Short-term interest rates may move up or down as much as 100 basis points in a single month.

- The industrial expansion anticipated through next year will lead to supply shortages by late 1977, and, as a result, raw material prices may go up. By 1978, the economy is going to be very sensitive to developments such as these.

### **Inflationary pressures**

Nearer term, there will continue to be inflationary pressures. For one thing, labor union negotiators are no longer content with the predictable five or six percent escalators of the 1960's.

Sooner or later, we are going to have to face up to a lot of things that have been hanging over unresolved—national health insurance, unemployment at a politically unacceptable level, and a new fact of economic life, the fact that we cannot use our food as a weapon in foreign policy. The United States is morally obligated to sell its food to any hungry people, which means that bad weather and a poor harvest in Eurasia will have as pronounced an effect on our economy as a prolonged drought in California or the Great Plains.

Thus, along with all the other aspects of global interdependence, domestic inflation is at present keyed, to some extent, to the vagaries of the world's weather.

Volatility and change will be the hallmarks of the next decade. Businessmen can nonetheless take comfort in an overall return to relative equilibrium—but the key word is overall. We may as well get used to the fact that the interim swings will be wider and will occur in a shorter time frame.

### **Where do we get the money?**

Now, to the second question: Where do we get the money to finance our future growth and to meet the needs of individual, business, and government borrowers?

In the past two decades, U. S. corporations obtained only six percent of their borrowed capital through the equity markets. The balance has come from financial institutions. Although rising investor confidence

**"Volatility and change will be the hallmarks of the next decade. Businessmen can nonetheless take comfort in an overall return to relative equilibrium."**

may reverse this trend, most borrowed capital will continue to come from these sources.

Priority projects will be financed. Less-essential enterprises may pay a premium or go without. Despite some strong allegiance to the notion of a capital gap—a notion based largely on a 1974 study prepared by New York Stock Exchange economists—we do have the financial capability to do the job that needs to be done.

U. S. capital markets demonstrated remarkable strength in the recent recession. Our commercial lending institutions are in excellent health today, despite all those scary headlines.

### **Recovery and loan losses**

Hindsight has its usual advantage over front-line judgment. Of course, some financial institutions have made questionable domestic investments. And some foreign loans may have to be stretched out. Balance-of-payments weakness this year will probably cause some of the non-oil-producing third and fourth world nations to refinance or roll over bank loans.

Recovery will cut domestic loan losses. And, as global recovery begins to catch up to recovery in the United States, the gross financial requirements of the less-developed nations will decline. More of their needs will be met from their own reserves and from growing resources in the international lending institutions. Further, we can expect growth rates in these nations to decline in the next ten years.

Public-sector borrowing in the United States also will decline in the second half of this decade. Though

growth and inflation will continue to distort money markets, the diminishing demands of government borrowers, domestically and internationally, will free up the funds we need for commercial and industrial expansion.

Let I be misunderstood, let me emphasize: Our capital needs in the next decade are going to be monumental, and the cost will be high. But we can accommodate the needs, and we can afford the cost, so long as inflation does not outpace the growth of the money supply.

### **Growth in export markets**

As to the third question—

What can we expect of our export markets? The answer to that question is that we can expect our export markets to grow.

Along with that growth will be risks. But we have no alternative except to take risks. Corporations that lack export markets are unlikely to remain competitive. By the same token, manufacturers and retailers that fail to develop foreign suppliers are going to run into trouble.

International trade amounted to nearly 14 percent of our gross national product last year—nearly double the percentage of a decade ago—and there is nowhere to go but up.

In the next five years, the global market for U. S. manufactured goods, machinery, and equipment will expand dramatically as world population grows and as third world nations industrialize. The United States is a net exporter of credit, too, and has been since World War II.

### **Our products are bargains**

Our competitive position in world trade is good. One reason is that we are getting a handle on inflation faster than the rest of the industrialized nations, so our products are still bargains in world markets.

Another reason is the floating dollar. When our economy is on the upswing in advance of other nations, as it is now, the dollar strengthens and the volume of imports mounts. Because floating exchange rates let the dollar swing either up or down, we have the flexibility to help control the influx of imports, to keep our share of the global market, and to maintain stable jobs and prices here at home.

For the foreseeable future, the management of much domestic ac-



tivity is going to be dependent on such external events. Some will originate offshore. Some will be political or diplomatic, rather than economic. But, for good or evil, they will affect our destinies here at home.

### Isolationism is extinct

All corporate plans, then, should take the world outlook into account, and planners are foolhardy if they fail to check regularly to see how events are proceeding along the trajectories we try to plot.

The global economy is now so thoroughly integrated that events in mininations—nations whose names we may not even remember—touch every aspect of our national life. Any industrial or commercial activity—manufacturing, servicing, marketing, or recruiting—has an international ramification.

Global labor migrations, currency fluctuations, and crop failures affect businessmen in the Twin Cities as well as in Bonn and Beirut. International capital needs and liquidity problems affect interest rates in Minneapolis as well as in London, Tokyo, and Caracas.

The closed economy of the 1950's, when the U. S. financial system operated in virtual isolation, is extinct.

### Everyone benefits

And a good thing, too. The mobility of international capital works to the advantage of all nations, particularly the less-developed nations at the moment, but everyone would suffer from a return to economic isolationism.

The implications of this economic interdependence go well beyond risk and opportunity, profit and loss. Transnational and multinational activities, with the attendant transfer of capital and technology, offer the best chance for true social and economic progress worldwide. Further, these changes are the evolutionary prerequisite to mankind's age-old dream: a world in which warring nations subside into peaceful trading partners.

Let me list, in no particular order, some of the more definitive changes, as I see them. They are not of equal importance, but cumulatively I find them compelling.

1. The era of cheap and abundant energy is over.

2. Growing shortages in a number

of other commodities, including food and capital, generate worldwide competition for all natural resources.

3. We have been jolted out of basic assumptions about the inevitability of growth. A national study confirms deep-rooted changes in America's perception of the future and substantial moderation of our expectations. Changing attitudes about the quality of life are prompting a shift from resource-consuming life-styles to resource-conserving activities.

4. Americans have learned how damaging inflation is to society. For the first time since the 1930's, inflation is perceived to be as great a personal threat as unemployment. Possibly greater.

5. Unfortunately, however, we have come to accept higher levels of inflation and more price instability than we once thought tolerable. Now that inflation is down below six percent, there is a tendency to relax and become complacent. That complacency is a real threat to future stability.

6. The nature and character of work has changed in response to technological advance, a development we can expect to see accelerate.

7. The corporate presence has become dominant. Measured on a direct basis, the corporate sector's contribution to gross national product is now 16 to 17 percent. However, on an indirect basis, it is very significantly higher than that.

8. The typical businessman today is a professional manager.

9. The U. S. production machine transcends national boundaries. In

1975, this country had a net export surplus of roughly \$11 billion—a substantial bulwark against recession and a major factor in domestic recovery.

10. Accelerating trade among nations has led to a blurring of ideological distinctions and a speeding up of the evolutionary process in which market and nonmarket economies overlap.

11. Petrodollars and political alliances among nations have changed the political and economic balance of the world. The era of great power dominance is over.

12. Public attention to economic performance is hastening institutional change. Business and government may even have to abandon the known comforts of an adversary relationship in order to improve economic performance in a mutually beneficial environment.

### Sophisticated managers

Our expanded international activity will require more sophisticated managers, managers able to comprehend the intricacies of currency exchange and the complexities of cultural changes from nation to nation.

We will need something other than growth by which to measure our performance in a world of finite resources. Quality will have to replace quantity as a national value.

In the past, we have been imaginative in developing our resources. Now, we must be imaginative in conserving them.

We are going to need more vision and effort and leadership than we have been accustomed to in recent years.

In short, we are going to be faced with a multitude of opportunities in the years ahead.

America has a great future, and people who have the personal initiative to capture the opportunities can expect great rewards. □

MR. CLAUSEN is president and chief executive officer of BankAmerica Corp. and its wholly owned subsidiary, Bank of America National Trust and Savings Association. This article is adapted from a speech at the Harvard Business School Midwest Regional Conference. Reprints of the article are available from *Nation's Business*. See page 50 for details.

"Global labor migrations, currency fluctuations, and crop failures affect businessmen in the Twin Cities as well as in Bonn and Beirut."



# Five Keys to Better Salesmanship

BY JOHN C. GFELLER

The mark of a professional in selling,  
a marketing executive writes,  
is conscious and continuous development  
of these attitudes and skills

**M**ANY CORPORATIONS have become victims of some of the lowest levels of individual sales performance on record.

Yet they themselves are partly to blame.

Individual performance standards have been so gradually diluted that many salesmen have become little more than order-takers.

Why do some of these salesmen succeed anyway?

Their experience, personality, and inherent ability, combined with well-intentioned effort, enable them to get by with what is called winging it—acting with insufficient preparation. They get by, that is, when market conditions are right—namely, when there is high consumer demand.

Corporations unintentionally reinforce this haphazard sales approach by showering incentives and prizes when sales results are positive and quotas are achieved. Salesmen get the message that winging it is all right. Thus, they continue to improvise.

When quotas are not met, however, and top sales managers are forced to reduce expenses, some of these salesmen end up unemployed, never really understanding why.

They are the victims of winging it.

## Being a professional

Winging it is insidious in any field, and the practice should be exposed for the devastating effect it has on would-be sales professionals.

Imagine how successful a brain surgeon would be if winging it were his style.

Professional athletes, airline pilots, architects—any member of the recognized professions—enjoy their stature because of continuous study, practice, and mastery of their fields.

It is no accident that we refer to a doctor as practicing medicine and to an attorney as practicing law. Be-

ing a professional involves more than getting paid for a service. It requires a uniform level of performance which can be demonstrated.

Practice and study which result in understanding and the ability to act knowledgeably are essential elements of professionalism.

Why, with so much at stake, has professionalism in salesmanship suffered and declined?

One obvious reason is that major corporations have improved their marketing abilities sufficiently to create advertising campaigns and media promotions that compensate for lack of aggressive, forceful selling.

A second reason is belief in the myth that no uniform performance standards can be set because individuals, products, and prospects differ so widely.

## Setting standards

Here at Consolidated Cigar Corp., we have recognized the need to develop a continuous program of improving individual sales performance and setting uniform selling standards.

Five key areas form the foundation of effective professional selling. These are:

1. You must want to succeed.
2. You must get along with people.
3. You must exercise self-discipline.
4. You must develop selling skills.
5. You must have product knowledge.

Conscious and continuous development of these attitudes and skills is the mark of the professional.

## Motivation

Personal motivation to succeed is the invisible ingredient which compels men to action. It encompasses energy, direction, purpose, belief, and enthusiasm. It is the difference between achieving success and failing.

Our company has discovered that motivating sales-



men is the greatest problem that our sales managers have.

As the problem is studied, it becomes evident that top sales producers have specific personal goals which they continually think about. Persistence in reaching these goals carries these salesmen past the many obstacles to selling, obstacles such as a client's negative attitude or the hostility of a purchasing agent.

Research shows that the mere setting of specific, written, personal goals crystallizes thought and spurs individuals to action. Results improve if there is a program to integrate each salesman's goals and the company's requirements.

The needs of both must mesh, interrelate, and become synergistic. The energies of man and organization are then pooled for mutual advantage.

Personal motivation does not have to be created or instilled; it already exists. The desire to achieve has only to be released and given an opportunity to express itself.

### Relating to others

The ability to get along with people, the second key area, might be called interpersonal competence.

Success in selling, as well as success in life, depends on our ability to form good relationships with others.

The need for a cultivated ability to relate to others is crucial in selling, because men and women have a strong need to be understood and accepted as individuals. The salesman who can convey this feeling of understanding and acceptance makes friends as well as customers.

Harold Krasner, one of our sales representatives on Long Island, has shown how interpersonal competence directly affects success in selling. He has been moved a number of times into territories which were sluggish and low-producing at best.

Each time he has attacked the problem by cultivating good relations with our retailers.

Store owners, interviewed by our sales consultants, invariably give their impression of Mr. Krasner with



ILLUSTRATION: CHARLES A. BURN

words like these: "Hal is looking out for my business." Retailers see Hal as someone who cares about them and provides a true value exchange in which buyer and seller both profit.

### Getting yourself organized

As for the third key area, self-discipline, there is no substitute for being organized. It is directly related to the ability to get things done. Yet self-management is often overlooked when analyzing salesmen's performance problems.

The feeling of being short of time is often a result of accumulated, archaic work habits. These are formed early in life, when we have little control over our learning. Never are we taught a system of self-organization.

Some of us devise our own system by trial and error. Others drift, poorly organized and ineffective.

Management of time and personal organization are both largely habits. They can be changed.

Our company has a unique sales planner and record-keeping system that was devised for our sales force. We call it the Goal-Setter Daily Checklist (see box).

We find that use of this checklist for 45 days will improve a salesman's effectiveness 30 to 50 percent.

### Selling skills

In selling, the basic problem is to influence the prospect's way of thinking. Which brings us to key area number four, mastery of selling skills.

The secret of influencing the prospect's way of thinking lies in building the right relationship with the prospect. If that is done, the prospect is confident that the salesman is not merely selling him something but is helping him make a wise buying decision.

Selling skills enable a salesman to properly introduce a product and to ask questions which will identify and intensify the prospect's needs. Once the salesman knows those needs, he can center on relating his product's features to the prospect's benefit.

This requires empathizing: The salesman should see



Personal motivation



## Goal-Setter Daily Checklist

- List goals.

Set goals daily by deciding what is important. Concentrate your efforts on your goals and avoid irrelevant activities. Setting goals develops positive direction.

- Set priorities.

Identify your most important goals as A's and invest your time in their attainment. Items ranked B or C carry a lower priority.

- Daily to-do list.

Begin each morning by listing tasks and activities which will help you achieve high-priority goals. Always start with A's, not C's.

- Do it now.

Procrastination is suicide on the installment plan. Get started and follow through on tasks you begin before beginning others.

- Be flexible.

Continually review priorities. As

time moves on, and circumstances change, priorities might need to be revised. When the unexpected occurs, remember that it provides you with a challenge to which to adjust. Handle the unexpected, then get back to your plan.

- Learn to say no.

Say no to interruptions and requests which clearly are not related to your goals and which will distract you from what is important. Keep your activities directed constantly toward goals you have set. If you do not, you will live and work for the goals of others.

- Do it once.

Avoid the temptation to stop and start, stop and start. Handle each job and each piece of paper once. Deal with the task and have done with it.

- Write it down.

If your time is valuable, allocating it is too important a matter to be left to haphazard methods and record-keeping. Record appointments, scheduled events, time-tables, and deadlines.

- Act as if.

Each of us should be in a constant state of change, becoming more of what we want to be and are capable of being. When you want to become more like something, act as if you had already done so. This will help you become what you want to be.

- Create personal time.

Set time aside each day to do things that will make you happy. Plan to do it daily until it becomes a habit.

This practice will recharge your batteries and improve your attitude and personal effectiveness.

the product from the prospect's point of view. In some ways, this is the hardest thought to impart to salesmen. Somehow, salesmen subconsciously feel that it is not right to look at things from the other person's point of view. But learning to do so is important in professional selling.

Once the presentation is made, specific methods of handling skepticism are needed to reinforce the prospect's confidence to buy. Objections should be seen as the prospect's way of asking for more information or as indicating that more persuasion is needed before he is ready to buy.

Closing then becomes the easiest part of the sale. Specific expressions, timed properly, make the act of buying easy and a joy.

In asking for the order, salesmen who wing it often blurt out: "Well, what do you think?" This is the classic mistake in closing and demonstrates lack of the right set of words.

The true professional asks such questions as these: "Would you prefer to pay cash or would our time investment plan be more convenient?"

"Which would you prefer, six dozen or ten dozen?"

"Which do you prefer, the stand-up rack or the countertop space-saver?"

Each of these queries gives the prospect the impression that he is in control because of the obvious choice involved. Yet the questions also imply that the sale has already been made. The answers represent an implied yes to the sale.

### Product knowledge

Product mastery, the fifth key area, is the foundation on which all selling rests.

Order-takers do not need much in the way of product

knowledge because they are at the mercy of the prospect. Knowledge of product and its place in the market shifts control from buyer to seller.

A salesman's value increases in direct proportion to his knowledge of his product or service.

Product knowledge is a key to successful salesmanship because it builds enthusiasm, develops confidence, provides solutions to objections, and establishes belief. Knowing your product or service helps you to communicate its features and benefits to a prospect.

How much should you know about your product?

Everything.

### Greater than the parts

Sales professionals master every aspect of their chosen fields and develop an air of confidence that is short only of arrogance. They have paid the price of learning their trades and they enjoy the fruits of their labor.

Large companies need to take a new and closer look at individual sales performance. Higher selling standards must be set and maintained if salesmanship is to be equated with professionalism.

One thing more:

At my company, we have not only found that the five areas of motivation and competence mentioned above are the keys to professionalism in our master salesmen. We have also found that the individual elements are of limited value without the synergism which develops when all five are put together.

Then the whole is greater than the sum of its parts. □

MR. GFELLER is senior vice president-marketing and sales of Consolidated Cigar Corp., a Gulf & Western Industries, Inc., company.



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Clearan® cleans sewers and drains quickly. It comes in a dry granular form for safety and ease of application. Clearan is composed of nearly 100% active ingredients for maximum effectiveness. Regular weekly applications prevent blockages from occurring again. Check coupon for free two gallon sample.



Wet Surface Roof Repair Kits contain everything necessary to patch roofs in any weather. Each kit includes trowel and brush type materials that can be applied to wet roofs at any temperature. Also included are reinforcing membrane, roof brushes, and trowels. Check coupon for free two gallon sample.



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## An Imaginative Approach Promotes Tourism

AS FAR AS the skeptics were concerned, the chamber of commerce in Zanesville, Ohio, had flipped its lid when it advertised for a stern-wheeler to ply the Muskingum River running through the city.

That was in 1973. Zanesville got its stern-wheeler last spring.

"We were looking for something spectacular for the bicentennial and also to call attention to our river," recalls James I. Dally, executive vice president of the Zanesville Area Chamber of Commerce. "We succeeded on both counts."

The chamber, working with city, county, and labor groups in the bicentennial effort, had little idea of where to look for an old paddle steamer with the propelling wheel at the stern. Nor did the chamber know what the vessel would cost.

So the business group advertised in "Water Ways Journal." The ad brought responses, but most involved conventionally propelled boats which had been made to look like paddle steamers. Or the chamber was offered authentic paddle steamers far beyond its financial reach.

Time went by and no stern-wheeler, but the Zanesville group persisted.

Finally, last year, Bryce Mobley,



of Morrilton, Ark., called and said he had a towboat stern-wheeler built by his father in 1949 which he would sell for \$20,000.

"We looked it over and, while it needed some work, we decided to buy it," says Mr. Dally. "The chamber board, after much deliberation, agreed to underwrite up to \$50,000."

That figure for the purchase and work on the vessel turned out to be unrealistic. Sprucing up the vessel, and bringing it up to U. S. Coast Guard safety standards, would cost \$80,000. A total of \$100,000 was needed.

An appeal to Zanesville citizens raised \$10,000. An Admirals' Club was formed with memberships offered

for \$1,000. This brought in \$90,000.

The 104-foot vessel, which carries about 130 passengers, was put into excursion and charter service shortly after its arrival in Zanesville. Between June and September, it carried more than 20,000 paying passengers, representing 20 countries. The vessel is paying its way. And it is expected to bring many more thousands of tourists to Zanesville over the years.

The stern-wheeler has been named the "Lorena" after a post-Civil War paddle steamer that ran between Zanesville and Pittsburgh. "Lorena" was a Civil War love song.

In Zanesville, Lorena has launched a new kind of romance—between people and a replica of the past. •

## Secrecy Spells Safety for Business Records

When an Argentine bank went through some of its old records in a storeroom, it found mildew had destroyed them all—28 years of priceless business history.

Now the bank's records are stored in temperature-controlled, maximum-security vaults in Los Angeles that are operated by Bekins Archival Services. The bank is one of many businesses that keep records on microfilm or computer tape there.

Other safe deposit boxes in the same vaults are preserving "Gone With the Wind" costumes, the Mary Pickford film library, and criminal

evidence. Humidity and temperature are maintained at constant levels. The slightest deviation sets off an alarm which brings in firemen and security forces.

Bekins Archival Services, a subsidiary of the 85-year-old household and office goods storage firm, operates similar vaults in New York City, San Diego, Oakland, and San Francisco.

Security is as tight as Bekins can make it, due to the risk of theft.

Businesses' records that are kept in the vaults often are extremely valuable. They may contain information eagerly sought by competitors. They may be a firm's only records.

Bekins began specializing in film storage in the early 1920's. Some

early Charlie Chaplin movies have been in Bekins's safekeeping for half a century. Many early television shows are stored at the Los Angeles vaults, because they are on film and not videotape.

An aura of secrecy surrounds the operation of the vaults. Space renters are checked and double-checked before they may enter. Even the location of the vaults is not generally known.

Lawrence A. Weinsheimer, vice president and general manager of Bekins Archival Services, says: "Our strong point is that we remain totally unidentifiable at a midpoint in a nondescript building in a totally anonymous location." •

*continued on page 62*



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## Handicapped Youngsters Prove to Be an Asset

When the St. Regis Paper Co. came up with a tough marketing problem that the firm did not want to handle on its own, it turned to a group of handicapped and retarded youngsters to do the job.

The assignment was to cut, fold, glue, and seal miniature paper bags for use in an advertising mail promotion. Big commercial houses which

usually do such work had rejected the contract.

St. Regis heard that offbeat projects like this one were being handled by students at the Coleytown Developmental Center in Westport, Conn. So the firm offered the school a contract. The offer was accepted.

"Completing a job like this gives the young people a sense of self-esteem and satisfaction," explains Mrs. Ann Sullivan, a teacher at the center. "All children are sometimes turned off by education—especially those with physical, emotional, or intellectual problems. So if you can break the classroom routine with a

project that is different and challenging, the students see it as a fun job and pitch in eagerly.

"In addition, they enjoy the reward of earning their own money. Our customer—St. Regis, in this case—pays for our work. The profits are either divided up among the participating students or pooled for a field trip or other group experiences."

The tiny paper bags turned out by the Coleytown students are mailed to St. Regis customers to reinforce a company television commercial showing the strength of a similar bag, filled with expensive pearls, that is dropped from a helicopter into the Atlantic Ocean.

The Coleytown students have also taken on jobs assembling coin bank replicas of the Empire State Building, stuffing envelopes for a credit union, and putting together simple parts for equipment that prevents oil spills from spreading.

"Our experience with the Coleytown center encourages us to come up with some other advertising innovations that we might have discarded as impractical before we realized what these young people could do," says Andrew Morin, marketing communications manager for St. Regis. •



Coleytown teacher Ann Sullivan helps youngsters learn how to earn pin money.

## No-Fault Guarantees Pay Off for a Company

With the controversy over the concept of no-fault automobile insurance continuing, and debate over no-fault divorce just getting under way, a Michigan manufacturer for more than three years has been quietly offering no-fault guarantees on its products.

Gast Manufacturing Corp., of Benton Harbor, makes air compressors, vacuum pumps, and air motors. Gast guarantees the repair or replacement of any of its products at no cost, regardless of the reason for failure.

That even includes cases of abuse or neglect.

"Our customers have never been more satisfied," says Herman Robandt, director of sales and marketing. "Their buyers do not have to haggle with sales and service departments, trying to establish who is at

fault when abuse or neglect is involved."

A 12-month written guarantee reads in part:

"Units returned within one year will be rebuilt or replaced under the guarantee regardless of reason for failure. Should failure be due to neglect or abuse, a report on reasons for failure, with suggestions for corrective action, will accompany returned unit. Should the same unit be returned a second time, a charge may or may not be made at Gast's discretion—but, in general, a charge would be made."

According to Mr. Robandt, the no-fault approach has not boosted net warranty costs as was expected. He says:

"In fact, slightly higher repair costs have been more than offset by the reduction in report-writing in our service department, the elimination of correspondence between Gast and its customers, and the generation of goodwill instead of ill will. Be-

sides, our guarantee policy has greatly speeded up the return of units to customers."

One reason no-fault has worked is the quality of materials Gast buys for use in manufacturing, according to Marvin A. Schadler, Gast purchasing manager.

He explains:

"Gast has always purchased high-quality components. Otherwise, we would not have had the confidence to go into this liberal guarantee program. When we deal with a new vendor, or when an old vendor's quality begins to slip, we use our guarantee program to point out that we just cannot afford quality control problems."

Gast has no interest in being all by itself in the no-fault guarantee field.

"We would be more than happy if more manufacturers with confidence in the quality of their products stood behind them this way," Mr. Robandt says. "It makes doing business a lot easier for all concerned." □



# HOW CAN A STATE HELP YOUR BUSINESS IF IT CAN'T EVEN RUN ITS OWN?

It's hard to read magazines or newspapers these days without seeing ads run by states optimistically trying to attract your business.

However, it's equally hard to read those same publications without seeing stories about states desperately struggling to keep themselves in business.

Which ought to provide you with instant insight into telling how well a state will actually be able to take care of you.

Namely, by seeing how well it takes care of itself.

Well, we in North Carolina are especially proud of the way we do business.

No state or municipality in the country has a higher bond rating. What's more, we are one of the few states to actually maintain a balanced budget.

Of course, while our business credentials and excellent credit are somewhat unique, they're just two of many reasons why opening a plant in North Carolina makes such good sense.

Our available labor supply numbers more than 230,000. But mere numbers tell just a part of the story. You've probably never met such dedicated workers. People whose parents and grandparents put in long, hard hours on the farm. And who've been brought up to work the same way themselves. People who exhibit exceptional manual dexterity and benefit from North Carolina's comprehensive training programs. People who benefit from the state's excellent system of 37 Technical Institutes, 20 community colleges and 56 public and private colleges and universities. In short, people who combine exceptional attitudes with exceptional aptitudes.

In addition, North Carolina



is a right-to-work state. And you undoubtedly already know how important that is.

North Carolina is also home to more long line, interstate motor carriers than any other state in the country and features two deep water ports, as well as 13 commercial airports.

North Carolina offers a number of excellent available plant facilities ready for you to move in right now. As well as very low construction costs if you'd prefer to build your own. And low interest industrial revenue bonds to help with financing.

We're within 500 miles of half the nation's population.

And as our millions of year-round vacationers attest, we're

certainly not lacking for climate or scenery or fun things to do.

So, as you can see, it's not just our bond rating that makes the experts rate us so high.

Although in this day and age, it certainly doesn't hurt.

Find out how much the state that knows how to run its own business can help you run yours.

## NORTH CAROLINA

Write: Governor's Office, Suite # 150, Post Office Box 27687, Raleigh, North Carolina 27611.

For more immediate action, call (919) 829-7982 before January 15, 1977. Or call (919) 733-7982 after January 15, 1977.



# BUSINESS: A LOOK AHEAD

## OSHA Tightens Rules in Drive Against Noise

Dr. Morton Corn, the assistant secretary of labor who heads the Occupational Safety and Health Administration, says future noise abatement agreements with employers and employer associations will be strictly on a plant-by-plant basis.

OSHA had been amenable to industrywide and companywide agreements in the past. Agreements had been made with the Western Wood Products Association and the National Concrete Masonry Association and with several employers on a multi-plant basis. Those agreements that have not already expired will not be renewed.

The industrywide agreements have been "general in nature, covering large numbers of employers and plants," Dr. Corn notes. "Since these agreements lack specificity, they have provided neither employers nor OSHA with a yardstick to measure the adequacy of the steps taken or to be taken in plants to comply with noise rules."

OSHA spokesmen say that companywide, multi-plant noise abatement programs produced similar difficulties for the agency. So all future noise agreements will be on a plant-by-plant basis and will have to be preceded by inspections of each plant.

Compliance officers will have to issue citations when violations are found during inspections. However, since the inspections are supposed to be part of a good faith effort, Dr. Corn says, "I would anticipate that the civil penalties in these situations would be minimal or that no penalties would be proposed, provided violations were not judged to be serious."

## Business Wins a Victory Over Public Worker Unions

More private businesses in the future are likely to be providing the federal government with housekeeping, maintenance, and similar services now performed by government employees.

In a move that represents a victory for the private sector over powerful public employee unions, federal procurement officials have decided to use more realistic cost figures for government pensions in determining contract costs.

Traditionally, federally procurement officials have added seven percent for retirement expenses to a cost estimate and have used that figure in deciding whether to do the work in-house or to contract it out. As a result, in-house work quite often has appeared to be less expensive than getting the work done by a private firm.

Now, procurement officials have resisted union pressure and agreed to a figure of 24.7 percent.

Business does not think that even this figure is high enough. The Chamber of Commerce of the United States says the figure is based on a "set of assumptions most favorable to minimum retirement costs." The National Chamber notes that the Board of Actuaries for the Civil Service Retirement System has said 56 percent would be more realistic.

However, use of even the 24.7 percent yardstick should mean that many private firms will be able to compete more successfully for government contracts. The benefits are obvious—a slowing of the growth in number of people on the federal payroll and a better bargain for the taxpayer's dollar.

## News for the Business Traveler

Starting the first of the year, U. S. passports are going to be easier to carry in pocket or purse—they are going to be smaller.

Passports will be four pages thicker, but the reduction in width and length will cut down on use of enough paper to save the government more than \$200,000 a year.

The new U. S. passport will be the same size as the passports of most other countries. In addition to the change in size, the document no longer will require listing of height and color of eyes and hair. The Passport Office says these are no longer considered significant identifying characteristics.



## State Regulation: Extra Headache for Small Firms

Some states are as guilty of regulatory overkill as the federal government. That is a conclusion of a report released by the Small Business Administration.

The report, "The Impact on Small Business Concerns of Government Regulations That Force Technological Change," is the product of a study done for SBA by a consulting firm.

While finding that the major source of impact is federal regulation, the report notes that in certain instances states have imposed stricter standards than Uncle Sam has, compounding the problems of small firms.

The report challenges the assumption in some quarters that the full costs of meeting government-set standards are passed on to the consumer. Indications are that between one third and half of small businesses affected by government regulations that force technological change experience a decline in profits as a result.

Also, the study shows that compliance with environmental regulations tends to be more expensive than compliance with worker protection regulations.

Data for the report came from 300 interviews with small business managers, trade association executives, and regulatory agency officials and from an analysis of nearly 500 answers to a questionnaire sent to small business association members.

## Exodus From U. S. Farms Continues at Slower Pace

The songwriter's old question, how you gonna keep 'em down on the farm, is still valid. An exodus from the farm that has been going on for many years shows no sign of ending.

However, the exodus is slackening.

The Agriculture Department reports that about 400,000 farm residents headed for urban areas in 1975, leaving an estimated 8.9 million Americans still on the farm.

Between 1960 and 1970, according to the department, the farm population declined about 4.8 percent annually. Between 1970 and 1975, that departure rate dropped to 1.8 percent.

## Senators Propose Reshuffling of Government Departments

Add two more proposals for cabinet department reorganizations: a Department of Environment and Oceans and a Department of Energy Supply and Natural Resources.

The first is the idea of Sen. Ernest F. Hollings (D-S.C.), who would pull under one umbrella the National Oceanic and Atmospheric Administration,

the Environmental Protection Agency, the Coast Guard, the marine and coastal regulatory and research functions of the U. S. Army Corps of Engineers, and certain functions of the Interior Department.

The energy department is proposed by Sen. Charles H. Percy (R-Ill.), who would include in it Interior, the Energy Research and Development Administration, and the Federal Energy Administration. ERDA's military research and development would go back to the Defense Department and the basic energy research function would go to the National Science Foundation.

## Two Agencies Team Up on Loans to Farmers

To coordinate the Small Business Administration's new business loan program for farmers and agricultural enterprises, SBA and the Farmers Home Administration have established a mutual working arrangement.

Loan assistance to farmers formerly was the exclusive responsibility of FmHA. Now, SBA is also going to provide such assistance.

The two agencies have adopted a plan designed to keep loan-seekers from being bounced between them.

Farmers who have been borrowing through FmHA will be encouraged by SBA to continue to do so. But SBA will accept loan applications if the farmer prefers.

FmHA will refer an applicant who is not eligible for aid from FmHA to SBA, if it appears the farmer is eligible for SBA assistance.

SBA has announced that loans may be made or guaranteed for these purposes:

- Purchase of land and buildings and land improvements (fencing, irrigation systems, pollution control systems, etc.).
- Construction or improvement of nonresidential farm buildings or of residential buildings essential to the business, if loans are not available from other federal sources.
- Purchase of farm machinery and equipment.
- Operating expenses directly related to farming, but excluding personal living expenses.
- Refinancing of debt directly related to farming, but excluding personal debt.

SBA will make direct and participatory loans up to \$150,000 and will guarantee loans up to \$350,000. In exceptional circumstances, SBA may go as high as \$500,000 on guaranteed loans.

FmHA loan limits are generally unchanged: operating loans, \$50,000; and farm ownership, soil and water conservation, and recreation, up to \$100,000. There are no specific limits on FmHA loans to grazing associations and for pollution control and irrigation, but these loans must be secured. □



## Where Congress Can Begin Containing the Growth of Government

PROMISES to restrict the growth of government were heard repeatedly throughout this year's election campaign.

Candidates who made such pledges were following, not leading, the American people.

In growing numbers in recent years, Americans have made it clear that they expect public officials to begin exercising restraint in dealing with such fundamental issues as spending, taxation, and the extent to which government controls the lives of individuals.

The 95th Congress that convenes next month should give top priority to containing the growth of government. There is no better place to begin than in Congress itself.

While senators and representatives are fond of making indignant attacks on sizable spending increases to run the White House, the Pentagon, the welfare agencies, and other government operations, the legislative branch is one of the fastest growing of all federal activities.

The Tax Foundation, a nonpartisan, non-profit, research and education organization, points out that Congress spent \$925 million on itself in fiscal 1976.

Robert C. Brown, the Tax Foundation's executive vice president, says:

"It is virtually certain that legislative branch expenditures will shortly pass the billion-dollar annual rate. Substantial growth in employment . . . and significant increases in

salaries and other costs will continue to send the cost of Congress upward."

In addition to the Senate and House, the congressional budget covers such support activities as the General Accounting Office, the Congressional Budget Office, the Library of Congress, the Government Printing Office, the Office of Technology Assessment, and the U. S. Botanic Garden.

Responsibilities of the Botanic Garden, which had a \$1.2 million budget last year, include providing plants and flowers for congressional offices.

The Tax Foundation makes these points in detailing why the congressional budget is increasing so fast:

- The number of congressional staff workers has gone up more than 44 percent since 1970. More than 16,500 individuals now work for members of Congress or for committees.
- Staff salary appropriations have nearly doubled since 1970, and "congressional staff salaries are high by almost any standard."
- In addition to salary and office-staff allowances, members of Congress have access to "a rather imposing structure" of benefits and special services.

The underlying issue, the Tax Foundation says, is whether the growth of the legislative branch of government has brought greater effectiveness to the legislative process. □



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